

MANUAL
OF
POLITICAL SCIENCE

HUMPHREYS.



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OF

POLITICAL SCIENCE,

FOR THE USE OF SCHOOLS,

AND MORE ESPECIALLY OF

CANDIDATES FOR THE CIVIL SERVICE,

ARRANGED IN CHAPTERS, WITH QUESTIONS AT THE END OF
EACH, AND PRECEDED

BY AN INTRODUCTORY CHAPTER,

BY E. R. HUMPHREYS, LL.D.

HEAD MASTER OF CHELTENHAM GRAMMAR SCHOOL.

SECOND EDITION, CAREFULLY REVISED.

LONDON:

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1855.



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TO

THE RIGHT HONOURABLE

THOMAS BABINGTON MACAULAY, M.P.,

HISTORIAN, STATESMAN, SCHOLAR,

This little Work,

THE SECOND OF A SERIES COMPOSED

CHIEFLY FOR THE USE OF CANDIDATES FOR THE CIVIL SERVICE,

IS, WITH PERMISSION, HEARTILY INSCRIBED BY

HIS OBEDIENT SERVANT,

THE AUTHOR.

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PREFATORY NOTE

TO THE

S E C O N D E D I T I O N .

It had been the Author's intention to add two or three chapters on other subjects, which were kindly suggested by the *Athenæum*, and some other leading critical journals, if a Second Edition of this little work should ever be required.

The unexpectedly rapid sale, however, of the first edition, in the course of a few months, has rendered it necessary to issue another impression without delay. The Author has consequently been unable to do more than revise the work carefully throughout. He cannot allow this second edition to go forth without tendering his cordial thanks, as well to the Editors of the Reviews and other London Journals, who have received this little Manual so favourably, and to the Masters of Schools who have adopted it as a Text-Book.

Cheltenham Grammar School,
Nov. 29, 1855.

PREFACE TO THE FIRST EDITION.

THE following work was planned, and a considerable portion of it composed, nearly a year since, but the Author's other engagements rendered it impossible for him, till very lately, to spare the time necessary for its careful revision. That a "Manual of Political Science" is now a want felt by many of the most enlightened educators of the day is well known, and it has been the Author's object and earnest desire to supply that want.

He is but too conscious of having fallen far short of the standard which he had originally hoped to attain in the composition of this Manual; but those best acquainted with the subject will, he feels assured, be the very first to make allowance for the great difficulty that was necessarily found in adapting a work

on such a science to the purpose of scholastic instruction.

Whatever deficiencies may be observed in the work, the author can conscientiously assert, that he has endeavoured to divest his mind, while engaged in its composition, of all party bias, and to deal only with broad and generally recognised principles. It has also been his aim to treat chiefly of those more important topics, a correct knowledge of which is now absolutely necessary for every young man about to enter on the stage of active life; while many others, which might probably be looked for in a work of this nature, have been purposely omitted.

The Author's object in preparing this Manual, as well as its predecessor on "The Civil Law," has been, not profit, but simply the desire of advancing those views which he has, for many years past, advocated, and which he firmly believes to be of vital importance to the educational interests of the rising generation. Classical instruction must ever most justly claim a leading place in every enlightened course of education, but

the day has gone by when it can any longer be considered the one thing needful.

Education must keep pace with the demands of the age—an age marked, beyond all former eras, by a spirit, practical, progressive, and perhaps even too utilitarian. Before any of the general or applied sciences can be studied with advantage, a good foundation of classical and mathematical knowledge must of course be laid, but the Author is confirmed by experience as a teacher, in the belief, that, for the vast body of our youth, who pass at once from school to the various walks of active life, the two last years of school-training might, to a great extent, be more profitably devoted to these applied sciences, than to many of those studies with which they are at present generally occupied.

The Author takes this opportunity of recording his grateful sense of the encouragement and approval accorded by all the leading critical journals to the “Manual of Civil Law;” and with equal gratitude will he accept any suggestions that may be offered, or the improvement of the present work.

He would also express his obligations to a learned friend, who has afforded him important assistance in three of the most difficult chapters of the work, and whose name he sincerely regrets that he is not allowed to record in this place.

January 10th, 1855.

INTRODUCTORY CHAPTER.

HISTORY OF POLITICAL SCIENCE.

Although the history of Political Science, like that of Astronomy, Geology, and some other physical sciences, does not come to us recommended by the venerable prestige of antiquity, still the laws and principles upon which it is founded, and of which it may be said to be a practical illustration, are as immutable and uniform as those which regulate the movements of the celestial bodies, and those which, in their ceaseless operation, have made the planet upon which we dwell so beautiful and convenient a habitation for the sons of men. It is generally said that the ancients knew nothing of "Political Economy;" it is certain that they did not cultivate any science under such a denomination, and that they did not arrange and

methodize those broad and pervading principles upon which individuals and nations, then as well as now, conducted the reciprocal interchange of their labours and services. But it is no less true, that the same laws which preside over the commercial transactions between England and India, and between America and China, and which determine the domestic taxation of Great Britain, did also regulate the commercial intercourse of Tyre with the sea-ports of the Mediterranean, the collection of the "pin-money" of the Queens of Babylon and Persia, and the transactions of the Quæstors and Publicani with the provinces of the Roman empire.

The merchants who brought to ancient Rome the spices of Sabæa, the fine linen of Canopus, the purple of Tyre, and the silks of Assyria, traded on the same principles as the cottongrowers of America, the spinners of Manchester, and the wine merchants of Xeres and Oporto. They all obeyed the same general laws of supply, demand, and competition; because those

laws would operate and would enforce their own adjustments, independently of all individual acquiescence.

It would perhaps be too much to say that any statesman of antiquity was, in our acceptation of the term, a political economist ; but it is unquestionable that many of the ancients observed, understood, and acted upon the principles which form the basis of the science ; and it is probable that they would have done so to a much more obvious and remarkable extent, if the intercourse of nation with nation had been less jealously restricted in those olden times.

It can hardly be supposed that such men as Cyrus the elder, Pericles, Philip of Macedon, Julius Cæsar, Trajan, Justinian, and Diocletian, were ignorant or unobservant of the social phenomena passing around them in the world ; but whenever we look among the great names of antiquity, for a man whom we may compare with those celebrated in modern times for the cultivation of any ethical, metaphysical, or political

knowledge, we naturally turn to CICEERO.* Thus, in the present instance, we shall find, on carefully examining his essays, that we can extract from them a considerable number of passages, which any political economist of the present day might consistently accept, as embodying principles that he would include among the elements of the science. Let us read, for instance, the 3rd, 4th, and 5th chapters of his treatise "*De Officiis*," and we might easily believe, if we had not the remainder of the work, that we were perusing the introductory chapters of a book on political science; and if there had descended to us anything more than a few fragments of his Essay on Government (*De Republica*), we should undoubtedly discover in it many judicious and apposite reflections of the same tendency. It would be no less easy to deduce many lessons in the same department of knowledge from the speeches of Demosthenes, and the histories of Thucydides, Xenophon, and Tacitus, if we would but read those great masterpieces of

* Aristotle also occupies a somewhat similar one amongst Greeks.

ancient literature with the view to gain practical wisdom and instruction, and *not merely as a philological study.*

But, notwithstanding all this, as none of the ancients cultivated the science as such, it is necessary, in order to guard against any confusion of language, to endorse the generally-received opinion—that political economy, *as a science*, is essentially the growth of the 18th and 19th centuries. We must also admit that some of the peculiar features of the governments of antiquity, as far as they differed from those of modern times, were so far less conducive to its development and illustration. Their military and civil establishments were, as a general rule, more self-supporting, and therefore exhibited less of a division of labour than those which we see around us everywhere in our generation; their taxation was more direct; their differential duties more exclusive; and their labourers were, for the most part, slaves;—and consequently some of the questions which we now regard as the most important to the political economist.

could not in those times have presented themselves to his notice.

It has been reserved, therefore, for modern philosophers to collect a series of observations upon the economic relations of society, and to construct from these a system, which has been found by experience to be that upon which legislators and statesmen must eventually and necessarily act ;—in the same manner as it is the glory of modern physical science to have discovered and demonstrated the vast extent and beautiful regularity of the planetary system,—to have analysed the formation and material, and even to have calculated the weight of the globes revolving round our sun,—to have written the history of species in the animal creation which had ceased to exist long before MAN appeared upon the earth ; and to have pressed into the service of man, not only the material, but the invisible agencies of nature, to a degree that more than realizes the fables of ancient times, while it renders the realities of comparatively recent years all but fabulous !

The first great thinker who may be said

to have reduced the phenomena under our immediate consideration to the form and method of a science, was DR. ADAM SMITH, a native of SCOTLAND, born at Kirkaldy in 1723. After graduating in the University of Glasgow, he was eventually elected to the chair of Logic and Ethics; and, shortly after attaining that promotion, in his 36th year, made his first appearance as an author by the publication of a work entitled "The Theory of Moral Sentiments," which was favourably received, and became the source of an extensive literary reputation. Encouraged by this success, Adam Smith soon after gave to the public his great and memorable work "An Enquiry into the Nature and Causes of the Wealth of Nations," the earliest publication devoted to the subject of political economy. This work, from the novelty of the subject, its startling theories, its apparent paradoxes, and the extraordinary amount of general and practical information, upon a great variety of subjects, displayed by the author, created so lively and wide-spread a sensation, that it was, after a short interval, translated into

French and some other continental languages. The extent of its circulation, however, was equalled only by the opposition and contradiction which its doctrines everywhere encountered. These were pronounced by judges of reputed competency to be visionary, inapplicable to the relations of society, and contrary to the uniform experience of mankind.

It was supposed that *established systems*, no matter how inconvenient and contrary to natural tendencies, were never to be superseded, but that they had acquired a prescriptive right to perpetuity in virtue of their past duration. TIME, however, has vindicated the truth of the majority of Adam Smith's doctrines, in accordance with which many important changes in the economic policy of modern nations have been effected. Even to this day, many distinguished cultivators of political science, who admit the general truth and correctness of Smith's views, look upon his work as being deficient in that methodical and consecutive arrangement, which should characterize a scientific essay; but it should

be remembered, in forming an estimate of its merits and defects, that it was the first publication on the subject of which it treats, and that its early popularity and extensive circulation were principally attributable to the absence of that logical severity, which would have been likely to deter, rather than to attract, the generality of readers. But the most important of its effects was, that it directed to the subject of Political Science the attention of several accomplished writers and deep thinkers, who were induced by the spirit of discussion to write and publish their own theories. Of these the majority were by some years the juniors of Dr. Smith, seven of the most eminent, viz., De la Riviere, Bentham, Malthus, Storch, Say, Sismondi, and Ricardo, having been born during the 26 years that intervened between 1747 and 1773. There was one, however, who was ten years senior, and who is accordingly entitled to a precedence in the brief notice of their lives and labours to which we are necessarily limited.

SIR JAMES DENHAM STEWART, also a Scotch-

man, born in Edinburgh in 1713, was the son of the Sir James Stewart who was Solicitor-General of England during portions of the reigns of Anne and George I. Considerably distinguished in his youth by the possession of intellectual powers from which the highest eminence in his hereditary profession was anticipated, he was subsequently tempted, in conjunction with a great body of the most noble of his countrymen, to adopt a course by which all such expectations were disappointed. In the memorable Rebellion of 1745—generally known in history as “the forty-five”—he was induced by the associations of name and country, to espouse the cause of Prince Charles Stuart; and was consequently obliged, on the defeat and dispersion of his party after the battle of Culloden, to go into exile. During his residence abroad, he published at Frankfort and in the French language, a vindication of the chronology of Sir Isaac Newton, which was followed by his more important work, the “Inquiry into the Principles of Political Economy.” At the age of 54 he was again

restored to his country and the possession of his property, which he lived to enjoy for thirteen years after his return.

MERCIER DE LA RIVIERE, the next in point of time, was counsellor to the French Parliament in 1747, and subsequently Governor of Martinique. His work on Political Economy was published under the title of "L'ordre naturel et essentiel des Societies Politiques," the doctrines of which, as in the case of Adam Smith, were loudly controverted by his contemporaries, especially by Voltaire and Grimm. He survived the Revolution, which he may be said to have remotely foreseen, and died in 1794.

JEREMY BENTHAM, the most celebrated of those successors of Adam Smith whom we have mentioned, was born in 1749 and lived till 1832. His works, published and unpublished, are very voluminous; but those which have been printed and circulated are better known and more fully appreciated on the Continent, than in his native country. He is generally regarded as the originator of what is called the *Utilitarian* School of Econo-

mists, who hold that the proper and legitimate end of government is to ensure "the greatest possible happiness of the greatest possible number,"—a theory which appears to be now extending its influence and popularity among statesmen as well as among philosophers.

THE REV. THOMAS R. MALTHUS, who has earned so wide-spread a notoriety by his "Essay on Population," was born in Surrey, and graduated at Cambridge. He held until his death, which occurred in his 70th year, the Professorship of History and Political Economy in the East India Company's College, at Haileybury, and was regarded by his intimate acquaintances as a sincere and zealous philanthropist. His favourite theory, however,—“that population increases in a geometrical, while the means of subsistence increase only in an arithmetical ratio; and that mankind must therefore, in order to escape all the horrors of famine, take measures to restrict the increase of their species”—although advocated, with very slight modifications, by such able and talented writers as

Miss Martineau, Mr. Ricardo, and Dr. Chalmers, has been found on examination to be totally unsupported by the experience of the human race and the evidence of history.

HEINRICH FREDERICK VON STORCH, whose talents and acquirements recommended him at an early age to the favour and patronage of the Czar Alexander, was a native of Riga, born in 1766, and educated at Jena and Heidelberg. He resided during more than the latter half of his life at St. Petersburg, where, at the Czar's request, and for the instruction of the Grand Dukes, he wrote his voluminous and elaborate works, "Cours d'Economie Politique," and "Tableau Historique et Statistique de l'Empire de Russie."

The name of JEAN BAPTISTE SAY, who was born in 1767, has acquired an extensive celebrity among his countrymen, from his having been attached in a literary capacity to the expedition of Napoleon Buonaparte into Egypt, and from his having been afterwards expelled from the *Tribunat* for his vote against the establishment of the Empire. His works are, two on Political Economy—"Traite

d'Economie Publique," and a more voluminous publication on the same subject, "Cours complet d'Economie Politique," which have been compared to "The Wealth of Nations," and are regarded with respect by political economists of the present day; and also one on England, entitled "Observations sur l'Angleterre et les Anglais." M. Say took an active part in, and passed safely through, the perilous political storms of his time. He survived the first Revolution and the first Empire, and died in 1832.

DAVID RICARDO, descended from Hebrew ancestors, was born in London in 1772, and accumulated a large fortune by the sagacity that marked his transactions on the Stock Exchange. His earliest literary labours were those of a contributor to a Newspaper (The Morning Chronicle), which, in 1810, he began to supply with some articles on the subject of the CURRENCY, that commanded very general attention. These were followed by his "Political Economy and Taxation," which contains a large amount of well-digested information upon financial affairs.

He afterwards represented the Irish borough of Portarlington in Parliament, where he was always regarded as a most competent authority upon all mercantile and financial questions. His works have been edited by Mr. M'Culloch.

CHARLES SIMONDE DE SISMONDI, a native of Geneva, and born in 1773, is principally known as the author of some standard histories, of which those of "The Italian Republics" and "The Fall of the Roman Empire" have been published in England. His works on other subjects, however, including Political Economy and Statistics, are numerous and very highly esteemed. In the political troubles of 1794, his family suffered a confiscation of the greater portion of their property, and he was himself, together with his father, who was a member of the Genevese Government, condemned to a year's imprisonment, after which he began life again as an author.

The list of the immediate successors of Adam Smith, may be closed with the name of James Mill, a native of Kincardineshire,

and born in 1774. The first entrance upon active life of this subsequently distinguished man was in the humble but responsible capacity of a private tutor in the family of Sir John Stuart; but, being ambitious of a higher position, he withdrew after a short time from those silent duties, and devoted himself to authorship. His "History of British India," which evinced considerable diligence and research, established a reputation, which he afterwards improved by the publication of a succession of philosophical works: "The Elements of Political Economy," a metaphysical work entitled "An Analysis of the Human Mind," and a treatise on the interesting social questions of "Prison Discipline, Colonies, the Law of Nations, and Education." During the publication of these Essays, in which he supported the views of Bentham, Smith, Ricardo, Bacon, and Locke; he also laboured as a contributor to some of the reviews; and was eventually appointed to the office of Chief Examiner to the East India Company, which he held till his death in 1838.

Of these writers some extended the scope of the science very considerably beyond the limits imagined by Adam Smith. M. Riviere and Sir James Stuart understood it as including "all the political and social relations of society;" M. Storch proposes to treat of "wealth and all the phenomena of civilization;" M. Sismondi expressly includes "government in his definition;" and M. Say speaks of "the nature and functions of the different parts of the social body;" but the more recent economists have gone back and retired within the boundary set up by the father of the science.

Since the beginning of the present century, and especially within the last twenty years, the cultivators of Political Science have become so numerous, that a catalogue of their names and works would occupy a space altogether disproportioned to any utility derivable from the enumeration. It will be sufficient to mention the names of Colonel Torrens, Dr. Chalmers, Archbishop Whateley, Scrope, M'Culloch, and G. R. Porter, whose very useful and interesting

work, "The Progress of the Nation," though professedly statistical, contains much valuable information upon historical and economic subjects.

Notwithstanding, however, this increased attention to the subject, and the fact that all our Universities have their several professors of this branch of knowledge, Political Science cannot yet be regarded as having attained that degree of maturity and certainty which can alone produce unanimity of doctrine. Consisting, as it does, of deductions drawn from observation and experience, it has not been sufficiently long under probation to test by practical and indisputable results the uniform truth of many of its lessons ; for it is too generally the practice of writers on this science to maintain their views by theoretical arguments, rather than to compare them with, and test them by, the facts of history. But considering the progress which society has been making during the last half-century, and the still more rapid progress which the impetus of that improvement may be expected to promote in years to

come, it may be confidently hoped that, with the advancement of civilization, and the closer and more fraternal union of the nations of the earth, many of those questions which are now so warmly debated, and upon which the temporal happiness of mankind so mainly depends, shall at length be settled and determined, beyond the possibility of further doubt and disputation.

QUESTIONS.

What portion of the Science of Political Economy may be regarded as ancient?

What circumstances in the policy of the nations of antiquity may be supposed to have retarded the development of the science?

Are there in the writings of any of the ancients any evidences of their acquaintance with some of its principles?

What other Sciences resemble Political Economy in the circumstance of being brought to a state of comparative perfection only in modern times?

Who was the first Political Economist, properly so called?

How was his great work received, and how did its defects contribute to its success?

Can you mention the names of any other distinguished cultivators of the Science in the 18th century?

Give some leading particulars respecting Sir James Stewart and M. De la Riviere.

What do you mean by the *utilitarian* school of economists? Who was its founder?

Who were Storch and Malthus? What subsequent writers have supported the theory of the latter?

What political events and literary works are associated with the name of M. Say?

Who was Mr. Ricardo? By whom have his works been edited?

What were the chief literary works of Sismondi, and what were the incidents of his life?

Give a brief sketch of the career and works of Mr. Mill.

How did the immediate successors of Adam Smith seek to extend the limits of the Science?

Have more recent writers agreed in their views?

In what state of advancement may the Science be considered to be at present?

What should be the chief guide of the teacher and the student of Political Science?

THE DIVISION OF LABOUR.

If a man previously accustomed to the conveniences of a civilized state of society were shipwrecked and cast ashore upon an island hitherto unknown and uninhabited, he would find himself placed under the necessity, in order to exist, of devoting all his time and energies to the acquisition and manufacture of the various, most simple, necessities of life: to erect some rudimentary habitation as a protection from the weather, to kill wild animals and dress their flesh, to plant vegetables, to make his own clothes, and supply other indispensable wants. The obvious consequence would be that he would be barely able to support a laborious and uncomfortable life, and that the variety of these unavoidable occupations would prevent his giving to any one of them that degree of time and attention by which alone he could expect to attain dexterity or perfection. But if, after some time spent in these solitary contrivances, a second person were accidentally brought to relieve

his loneliness, the labours and anxieties of the two would be considerably lightened by their sharing between them the duty of providing for their united wants ; for instance, while one was hunting, or otherwise occupied abroad, the other might be engaged in the several domestic arrangements necessary for their comfort. Their time would thus be economized, because a hunter could provide food for two as easily as for one ; the same fire which one must kindle for himself would accommodate two ; and in like manner, the other united wants would be supplied, if not always with the same, certainly with much less than twice the amount of time and trouble which either of them must have expended upon his own. To illustrate the principle more fully ; if a party consisting of several persons, such as a whole ship's company, were placed in a position where they could find no others to supply their wants, and where money, even if they had any, would be, for that reason, perfectly worthless ; they would be enabled, by dividing between them equally, according to their several tastes and abilities, the various duties and occupations incidental to their situation, to subsist with less individual labour, to have more time to spare, and consequently to attain in their respective departments, a higher degree of mechanical perfection. This system of mutual help, which we see around us in extensive operation among all civilized nations, is technically called "The

Division of Labour," or, according to some political economists, "The Division of Production," and may be regarded, from the universality of its adoption, as an instinct of human nature. It would appear indeed to be the design of the Great Creator of the universe that human beings should require and give such an interchange of help, for we find a greater diversity of faculties and talents between the tribes and individuals, and more especially between the sexes, of the human race, than between those of any other animal. This reciprocity is the principle upon which is founded the whole science of political economy, which is generally defined to be "the knowledge of the laws that regulate the production, accumulation, distribution, and consumption of wealth."

If it were possible that a state of society could be maintained, in which every individual could supply his own wants without the assistance of any other of its members, in that society the science of political economy could not possibly have any place; it would present no phenomena, such as wealth and exchanges, for the consideration of the economist; but would be a practical exception to every theory of the science and to every lesson of experience. But such a state of things never has and never could have existed. If it were established experimentally in any community the natural inequalities of the talents and endowments of its members would in a few days begin to assert

their influence and all the phenomena of exchanges to present themselves. A state of mutual assistance and dependence, therefore, may be regarded as man's natural and necessary condition. Such being the origin of the science, it has been sometimes suggested that it should be more appropriately called *catallactics*, (*i.e.*, the science of exchanges,) relating as it does to the whole of the mercantile operations of society, than by its more generally received name, which would appear, *prima facie*, to restrict it to the financial arrangements of governments.

The early history of our species supplies a sufficiently clear illustration of the gradual extension of the principle of exchanges. Under the patriarchal form of government, which existed among the first human inhabitants of the earth—and which still exists among those tribes who lead, as they did, a nomad life—we find that the wants of the several families were supplied exclusively by the industry of the household; they subsisted directly upon the actual produce of their land and cattle; their few unscientific manufactures were all home-made: they constructed with their own hands the scanty articles of furniture which their simple mode of life required; they wove the hair of their goats and camels into tents which served them for houses, and the wool of their sheep into garments. When their ideas of life became more artificial, they began to exchange

their superfluous agricultural produce with distant tribes, for such articles as they could not manufacture at home, although led by the instinctive love of variety to desire them. This form of buying and selling was the earliest germ of that universal traffic which has subsequently become so important an element in the developement and progress of civilization. Such a mode of barter, however, must evidently have become inconvenient, as wants multiplied, and buyers were tempted by the novelty and variety of commodities; and, in order to obviate that inconvenience, a medium of exchange, more portable and universally recognized, was introduced. This was money, which is sometimes technically called "the circulating medium." By this invention the division of labour was carried out to its full and legitimate extent; because a man who manufactures one particular article, or supplies any one particular service to society, can distribute the money which he receives for it, amongst a number of other men, each of whom can furnish some different commodity; and is not obliged, as he would formerly have been, to receive in exchange for his own labour a payment in kind which he may neither want, nor be able to exchange for articles which he does require. In this way it is possible that, for the result of his own labour during one month, a man may procure a greater number and variety of articles produced by others, than he could during his whole life

produce by his own divided industry ; and one of the greatest advantages of such a system is, that no individual possessing any faculty, however limited, or any degree of skill or knowledge, is excluded from the opportunity of making himself more or less useful to himself and others.

Although the advancement of society, and the increase of the conveniences and embellishments of life within the recollection of most persons now living, renders it impossible to calculate the extent to which the division of labour may be eventually carried ; for such innovations are the invariable results, and therefore an infallible test of a high degree of social refinement ; still our present state of society, transitional as it is, presents us with illustrations, in almost every branch of manufacture, of a division and subdivision of labour, which it is often difficult to contemplate at a single glance. It is almost impossible for one not professionally acquainted with the details of our various factories to enumerate the several processes, and the different hands through which many articles of apparently simple formation, must pass, in their progress from the raw material to that state in which they are finally offered for sale. To convert the coarse earthy substance, known as iron-stone, into the hard, brilliant, elastic spring which gives motion to the machinery of a watch ; or, to transform the loose, fragile, fibrous tissue of a vegetable into a strong, thin, durable web ; or, into the

delicate arabesque work of a piece of lace, a yard of which will probably be worth a thousand times the price of the raw material—the effecting of such a change as this engages the labour of so large a number of skilful hands, that, if all the operations were to be performed by a single artizan, the price of the manufactured commodity would probably be five hundred times as much as it is, in order to compensate for his time, and the distant investment of capital which must be advanced for his maintenance through the interval.

The advantages resulting to society and to the individuals immediately concerned, from the division of labour, are generally classed under the following five heads :—

1. The choice which it opens to every individual of that particular line of industry to which his abilities and inclinations render him most suited.
2. The facility which it affords of supplying the wants of several by the same, or nearly the same, amount of labour which the necessities of an individual would require.
3. The additional skill which a labourer acquires by limiting his practice and attention to one particular occupation.
4. The saving of time, to a much more important extent than might be previously expected, effected by not passing alternately from one species of work to another, and

through the dexterity acquired by an exclusive practice ; and,

5. The probability that useful and important discoveries will be made by one whose attention is fixed upon some one mechanical or scientific operation—a result which has in several instances actually been realized.

As the effect of the division of labour upon prices is, of course, a reduction upon that of each separate article, which is evidently consistent with a large aggregate profit to the capitalist who hires the labour of the several hands, it will be found that the principle is most fully illustrated in the manufacture of articles suited to the requirements of the largest number of the community ; that is, of the necessities and comforts rather than the luxuries of life. These, however, are merely relative terms ; for many commodities are at present classed among the comforts, and even, through habit, among the necessities of life, which were once among the rarest of luxuries. Tea and coffee, now so indispensable to the comfort of the most humble, were to be found, for a considerable time after their introduction into England and France, only at the most costly entertainments ; and the family of any respectable tradesman of the present day can be more comfortably and elegantly dressed, and inhabit more luxuriously furnished apartments, than the Tudor Monarchs of England.

But, perhaps, of all the advantages derivable

from the division of labour, or rather, of all the numerous forms which it is capable of assuming, the most beneficial to all parties concerned, are partnerships, in which several small capitalists, by a combined action, can produce a result much more important than the amount of the results of their several capitals, if they acted independently of each other; particularly those more comprehensive partnerships which are authorized by a charter from government to execute works of great public utility, such as canals and railroads; of these, the East India Company* is the most colossal and comprehensive that ever existed. The great machine of government itself derives its origin from the convenience of a division of labour. "The members of every government," says Mr. Senior, "must have been some persons who offered protection in exchange for submission." Every man, in the absence of a government, would find that the duty of protecting himself from violence and fraud, and of redressing the wrongs inflicted upon him, would occupy so much of his time and attention, that he would gladly enter into a compact, to exchange a certain portion of his wealth or services for an immunity from those dangers and anxieties; and would find it more profitable to contribute to the maintenance of a person or persons, who would undertake the exclusive duties

* For information respecting the East India Company, see the supplementary chapter at the end of this work.

of defending the community against foreign invasion, of making and administering laws, and of defining and upholding the rights of individuals, than it would be to rely upon his own independent strength and sagacity for the attainment of those objects for himself. Of such a compact as this, Herodotus relates a remarkable instance in the elevation of Dejoces to the throne of Media. Dejoces being frequently called upon, as one of the elder nobility, to officiate as a judge, and having distinguished himself by his acuteness and impartiality, found at last that his wisdom had become an object of such public importance, that he could devote no portion of it to his private concerns; so he proposed to his countrymen that they should, if they wished to secure his services in his judicial capacity, relieve him from all other cares, by contributing a revenue, and building for him a fortified palace—a proposition to which they readily acceded. In most other cases, however, it is very probable that a military protection on the part of some distinguished warrior, such as Zenghis Khan, or the first of the Ptolemies, or Napoleon the first, was the equivalent accepted for submission.

QUESTIONS.

What are the natural causes that have induced mankind to resort to the system of a Division of Labour?

Can you illustrate its origin from the early history of the human race?

What is political economy?

In what circumstances has it originated?

What other name for the science has been suggested?

How is the Division of Labour facilitated by the invention of money?

What name has been given to money relative to this use of it?

Why do you consider it impossible that a state of perfect equality could exist permanently in human society?

Can you illustrate the results of a division of labour by the instances of any manufactures?

Under what and how many heads are its industrial advantages classified?

To what classes of manufactures has it been most extensively applied?

Can you give any illustrations of the operation of this principle in the establishment of governments?

CHAPTER II.

WEALTH.

As political economy has been defined above to be the science which treats of the various phenomena of wealth, and as wealth is defined to be, “all those things which are acquired by labour, and possess value (*i.e.* which are transferable or exchangeable, either for limited or indefinite periods) and are limited in supply;” and as there can be no exchanges—no buying or selling—without division of labour; the consideration of the several theories relating to wealth naturally constitutes the next department of the subject. The propriety of including in the definition of wealth the quality of being limited in supply will become evident when we recollect that there are many things of incalculable value to man, things which not only supply him with the highest enjoyments, but are in some cases, indispensable to his physical existence, which do not, however, come under the denomination of wealth; because Providence has mercifully and beneficently supplied them to all creatures without reserve or distinction; so that they can

never belong to any one human being more than to all others, and can never be made the subject of traffic or exchange, and have, therefore, no commercial value. These are, of course, the light and heat of the sun, the atmosphere which supports all animal and vegetable life, feeds combustion, and transmits light, sound, and odours; the waters of seas and rivers, with some exceptions, and the privilege of contemplating the manifold beauties and wonders of creation, artificial imitations of which, such as figures and models, are sometimes regarded as among the elements of wealth. The exceptions alluded to in the case of seas and rivers, are the instances in which the water of a river forms part of the same property with the land through which it flows, and may be rented or let out for use by the landlord; and in which certain portions of the sea, as fishing-grounds, have been appropriated by certain nations to the exclusion of all others; but these exceptions are too limited to be regarded as infringing the truth of the definition. Again, the propriety of including the quality of being transferable among the properties of wealth, will be evident, when we reflect that many things which fulfil the other condition of being limited in supply, possess a value which is either not at all or but partially appreciated by all other parties than the original proprietor, and these are therefore to be considered transferable only to the extent of their generally recognized or

intrinsic value, exclusively of the value which they derive in his estimation from personal associations. For instance, the portrait of a dear and deceased friend, for which a picture-dealer, viewing it merely as a work of art, would not pay more than ten pounds, may have a value for the proprietor which he would not exchange for a hundred times that sum. A house, which the proprietor's ancestors had built and inhabited, may be worth more to him, but to him alone, than any other similarly situated and equally extensive dwelling: a horse may have habits and qualities which render it incalculably valuable to some one man, and perfectly useless to others: in the same way, articles of furniture and garments may be many times more valuable to the proprietor than to any other person; but the price which other persons would consent to pay for any of these commodities, is, properly speaking, their transferable value.

But of all these qualities, that which most enhances the estimate of exchangeable commodities, is the limitation of supply. Of this we may observe instances around us every day. The diamond is the most commercially valuable article of which we are aware; not, evidently, because it is of any practical utility, or because it supplies any of our physical requirements or enjoyments, but because it is limited in supply. A watch in a silver case is as practically useful a machine as one in a gold case: a stoic philosopher would recognize no

superiority in the latter; but it would be a more valuable article in a commercial point of view, in proportion as the general supply of gold is more limited than that of silver. In such cases as this, however, the motive which urges men to attach what may be called a conventional value to certain things, in consequence of their scarcity, is one of the strongest and most pervading passions of our nature—a passion which, under the various phases of vanity, ostentation, emulation, and ambition, has the power of inducing men to undergo an amount of labour, self-denial, and perseverance, such as could never be enforced by any merely physical compulsion—a passion of which it may be observed that, however, in some of its excesses it may be seriously culpable and criminal, it has, nevertheless, been the origin and moving cause of the majority of great and glorious deeds that have shed a lustre on the history of the world. This love of distinction gratifies itself most effectually by the possession and display of something difficult to be acquired, something which is an indication of opulence, the distinction most generally coveted and which commands most others of a transferable nature; and not only does it gratify itself by the possession of scarce commodities, but sometimes, by the acquisition of those which are unique, and cannot possibly be multiplied; such as the autograph of a celebrated individual, the original of an admired picture or statue, and other things

of the like sort, of which the value, though transferable, is adventitious and artificial.

It may not at first sight, appear quite correct to include intellectual faculties and acquirements under the denomination of wealth, such as is here described ; but we shall find that, although they are strictly personal, indestructible, and immaterial, still, as they are limited in supply, and capable of being, if not permanently bought or sold, at least hired for the occasional use and benefit of other persons, they come within the definition of wealth. The physician, who sells the use of his medical skill to his patients ; the barrister, who sells the use of his legal knowledge to his clients ; the man of genius, whose literary productions are a source of refined and unsensual pleasure to a large proportion of civilized society ; all transfer to others, for the time, a portion of their own wealth, and receive in exchange for it, as for any other commodity, more or less payment. But this description of wealth differs in two remarkable peculiarities from all other exchangeable commodities ; in the first place, the intellectual endowments cannot be lost or destroyed by any of the numerous accidents to which all other wealth is liable ; the burning of houses, the wrecking of ships, cannot remove them for ever from the possessor ; the Creator who bestows them can alone take them away ; and secondly, although some of their uses and benefits may be exchanged for wealth of the

ordinary kind, the capital is always undiminished ; the proprietor cannot alienate, even if he would, the many enjoyments and consolations which it brings to himself ; he cannot transfer either his property, or the consciousness of superiority in its possession, or—which is in itself an enjoyment—his sense of gratitude to the Giver. There are four elementary propositions, or axioms, recognized by political economists, with reference to wealth, which may be thus concisely stated :

1. That every man desires to increase his wealth, with as little labour as possible.
2. That the population of the whole world is limited in its increase by the present or expected deficiency of wealth.
3. That the powers of the different instruments and means by which wealth is produced, may be indefinitely increased by employing their results as means of further production, *i.e.*, as capital.
4. That additional labour, without additional skill, employed upon the same extent of land, will not produce a proportionately additional return.

Of these four propositions, the first may be regarded as self-evident, considering the great diversity of possessions which are included under the general denomination of wealth, and the fact that wealth is frequently sought rather as a means than as an end ; and the truth of the others will

be more properly illustrated under the heads of Population, Capital, and Production.

The different articles which constitute wealth may be classified under three comprehensive heads : viz., the necessities, the decencies, and the luxuries of life. Of these classes, the first includes all those things without which life, and the health and strength, and the tranquillity of mind, indispensable to labour cannot be maintained ; to the second we generally attribute all those things without which we cannot keep up the appearances suited to our respective positions in society ; and all that contributes to our enjoyment, beyond these, may be fairly included in the third. From these definitions it will be evident that the three terms are relative, the meaning of each being liable to modification, according to the circumstances of the class or individual to whom it may be applied ; thus, the same thing—a horse, a carriage, a library—may be a necessary of life to one man, a decency to a second, and a luxury to a third.

As the wealth of a nation is a more important consideration than the wealth of an individual, as involving the general happiness of the community, it is that of which political economy principally takes cognizance. National wealth also being the combined result of many different transactions, differs from that of an individual, in the circumstances that it cannot, like the latter, be fraudulently acquired, and that it cannot, as in the case

of an individual, give rise to the unworthy vices of indolence, arrogance, cruelty, and luxury; because the wealth of a nation, if wisely distributed, must consist in the great mass of the inhabitants being comfortably fed, lodged, and clothed, and adequately remunerated for their industry, of which objects it is the business of political economy to indicate the most direct and effectual mode of attainment.

QUESTIONS.

How do you define the word wealth?

Why do we use the term "transferable?"

Why is it necessary to add the quality of being limited in supply, or relatively scarce?

What is the exchangeable value of a commodity?

Why does limitation of supply render things valuable?

Can you suggest any instances of non-transferable value?

Why are intellectual acquirements and endowments entitled to be regarded as wealth?

What are the four axioms of the science?

How are the different elements of wealth classified?

On what principle do you assign any given possession to one or other of these classes?

How do national and individual wealth differ?

CHAPTER III.

VALUE.

Value is that quality in any object which renders it capable of gratifying our desires, by imparting pleasure or removing pain; and is divided by Adam Smith into two classes—value in use, which other authorities call utility, and value in exchange. This division must be considered identical with that of transferable and non-transferable, because, if the utility of a thing be generally recognized, it has an exchangeable value, and no man will give labour or any other commodity in exchange for what he knows to be useless. Value is generally said to be measured by labour; because, from the universal application of labour to all productions, and the proportion existing between the prices of commodities and the amount of labour necessary to their production, it is a standard by which every man can readily estimate the remuneration offered for his work. But labour, although a most convenient, is not the only, or the most generally recognized measure of value; because, no matter how the value may have been created, money is, of all arbitrary measures, the

most universally intelligible, and in fact, the only one conventionally used in the mercantile transactions of civilized nations; or, to state the proposition more concisely, the value of commodities, although measured by labour, is always, as a general rule, expressed in money.

The value so measured is called the *natural value* or *cost of production*, because it is the level to which the prices of all commodities have a natural tendency to return after every fluctuation.

The causes which give rise to such fluctuations in prices, although too many and various for enumeration, may be divided, for the sake of convenience, into three classes—the caprices of fashion or taste, scientific discoveries, and the occasional variations in the supply of articles furnished by the operations of nature. The effect of these three causes may be thus briefly illustrated:—1. It is a fact familiar to the most ordinary experience that a change in that very inconstant code of opinions which we call fashion, will suddenly raise and as suddenly depress the mercantile value of any commodity in general use among the higher classes of society. For instance, if it should become fashionable to wear any particular species of garment, the material of which it is made and the skill of the tradesman who makes it, will rise in value proportionately to the intensity of the prejudice in its favour; or, if it should become fashionable to spend a certain portion of the year in Brighton or

Torquay, rather than in Bath or Cheltenham, the rents of houses will rise, for the time, in the former places and fall in the latter. 2. It sometimes happens that scientific discoveries, by bringing to light certain capabilities and virtues in things previously unknown, may impart a very considerable value to things which had been till then perfectly worthless, and depreciate in proportion those things for which the new invention forms a substitute; for instance, linen rags were about as worthless things as can well be imagined until it was discovered that they could be transformed into paper; the gutta-percha plant, perfectly useless ten years ago, is now one of the most valuable of vegetable productions, and if the manufacturers of linen felt themselves warranted in acting upon the discovery that the fibres of the common nettle may be woven into a textile fabric finer, softer, and stronger than that yielded by flax; a commercial value might be imparted to what is now generally regarded as a useless weed. 3. Such events as the failure of a crop generally relied upon for subsistence; an armed blockade in time of war intercepting the import of any article in general use, or an unusual inclemency of the weather, causing an intermission of such operations, as the whale fishery, may operate in raising the price of the articles in question, even before scarcity begins to be felt. But the illustration of the effects of causes belonging to this

class, and indeed of all causes acting upon value, may be more properly referred to the chapter upon Demand and Supply.

QUESTIONS.

How do you define the term *Value*?

How has it been classified by Adam Smith?

Why is labour said to be the measure of value?

Is there any other more convenient measure?

What do you mean by *natural* value?

How may the causes be classified which produce fluctuations of value?

Can you give any illustrations of the operation of these causes?

CHAPTER IV.

DISTRIBUTION OF WEALTH.

All contributors to the production of wealth are divided by political economists into three classes : Labourers, Capitalists, and the Proprietors of the natural agents of production, or Landlords. Of these classes the first includes those who contribute exertion, mental or physical, to the creation of value ; the second comprises those who supply the materials, the instruments, and the maintenance of the Labourers, and wait for their remuneration from the price of the value eventually created ; and the third consists of those who, for a certain periodical payment, allow others to make use of such natural agents, as Land, Mines, and Water-power, the same being their property. The remuneration of the first class is called *wages*, that of the second *profit*, and that of the third *rent*, and in this way all wealth realized by industry is distributed ; but the proportion in which the distribution is made, always more or less unequal, is modified by a numerous variety of causes. Some species of labour, it is almost unnecessary to remark, obtain a higher rate of wages than others,

and the inequality may be, in almost all cases, attributed to some one of the five following causes.

1. The attractive or repulsive nature of the occupation, which we see operating in cases where a man will be content, for less remuneration, to engage in labour more congenial to his natural disposition, or less injurious to his health, or less degrading to his position in society. In such instances we may observe that where the duties of any situation involve self-denial or danger, as for instance, a residence in a distant land or an unhealthy climate, the scale of remuneration is proportionately high. 2. The easiness or cheapness, or, on the other hand, the difficulty or expense of becoming qualified for them ; but the operation of this cause is in many instances more limited than the natural relation between cause and effect would lead us to anticipate, since, in professions which involve an expensive education and much intellectual labour, the remuneration is often not higher than that which we see realized by the exercise of more commonplace acquirements. 3. The constancy or intermission of employments : because a man will evidently require higher wages in an occupation which only supplies an inconstant employment, in order to compensate for the intervals of unprofitable idleness, and for the anxiety and suspense inseparable from such uncertainty, and men will in general be content to accept a low average of wages permanently and regu-

larly paid, unless other circumstances of congeniality and respectability create a preference for the comparative liberty which the alternations of labour and repose enable them to enjoy, and to which human nature is constitutionally inclined. 4. The proportion generally recognized between wages and the degree of trust and responsibility which accompanies certain employments. In such cases, wages must necessarily be high ; because a certain amount of moral and intellectual qualification is required ; and persons so employed must be maintained in a comparatively high grade of society, or rather sought out of that class, and must be paid on such a scale as to place them out of the reach of any temptation to violate trusts of public importance, so as to render the loss of such a situation more than equivalent to any advantage derivable from dishonesty. In this way, it will be observed that a limitation of supply is caused, which increases the remuneration of persons holding important and responsible, though not actually laborious, situations. 5. The variation of wages corresponding to the likelihood or improbability of success ; because in employments and professions where failure is a very possible contingency, the prizes attainable by the successful few must be such as to induce a full number of candidates to enter the lists of competition. For instance, in a profession, like that of the law, where twenty failures stand against every instance of what may

be called success, the reward in that one instance should be equal to the amount of what the unsuccessful twenty would have gained, if the gains of the whole profession were impartially distributed. This uncertainty, and the other circumstances of the expenditure of time, money, and arduous intellectual labour, together with the mental suffering entailed by disappointment, all which are involved in the preparation for, and the probationary practice of, a learned profession, would seem fully to justify the theory, that the average remuneration should be proportionately high ; and on this principle, accordingly, is founded the difference between the wages of skilled and unskilled labour ; in fact, the additional wages in the former case may be regarded as a return for the capital invested in the preparatory education.

The effect of a few splendid prizes attainable at the summit of a profession—such as that of the Bar—upon the supply of candidates, may be illustrated by the familiar analogy of a lottery ; where the proportion between the value of the prize and the price of a chance is generally the only calculation practically instituted, while the proportion of the blanks to the successful ticket is virtually overlooked. If an article intrinsically worth a hundred pounds be made the prize in a lottery, it will be found that 250 tickets may be easily sold for ten shillings each ; each purchaser expecting that it may be his fortune to win 200

times the value of his venture; while the original proprietor will receive for the article so disposed of £25 more than he could obtain for it in the ordinary course of traffic; and on the same principle, the candidates for success in a profession which holds out, in its high places, a few attractive prizes, will be more numerous than would be induced to enter it by a certain division of the whole gains on a fair average. Wages of this description, however, are affected in a remarkable degree, and in an inverse ratio, by the progress of civilization in any given country. In the infancy of society, such as it may be contemplated in a new colony, as soon as wealth has been acquired, to any moderate extent, by agricultural and mercantile industry, professional services, which can be rendered only by educated persons, will be highly remunerated. Afterwards, when the temptation thus held out fills up and overstocks those professions, the competition between their several members, and the keen struggle for a livelihood, will compel them to accept a lower scale of payment, in order to be employed; and this state of things will continue, educated and intellectual labour becoming less and less valuable, as civilization degenerates into artificial sensuality, until what we may call the "overstocking of the intellectual market" forces men to turn aside to other pursuits less dignified, because less intellectual, but more profitable; especially as the development of

society promotes the division of labour, and opens up new sources of employment.

It may be observed also that, in a rudimentary state of society, where the division of labour is not yet carried on to its full extent, the most popularly useful, and the most amply remunerated services, are those of a man who can turn himself readily to a variety of occupations, without exhibiting any remarkable degree of excellence in any; a man whose versatility would be sure to render him perfectly useless, and reduce him to destitution, in any more advanced stage of civilization. In a new country, where artizans are not yet numerous, the man who can build and finish a house from the foundation to the roof, with his own hands, will be a more valuable member of society than he who can execute only the stone-work, or the wood-work, though the latter may do this in a style superior to the handiwork of the former; but in an old and civilized country, the former will never be employed, because a number of men can be easily found to surpass him in the several different departments of the work. The analogy holds good through all the various occupations of life. The division of labour, for instance, has distributed the duties of the lawyer into the separate professions of Barrister and Attorney, and divided the medical profession into Physicians, Surgeons, and Apothecaries; and under the present conditions of society in this country, professional eminence

is attainable only by an exclusive devotion to some one pursuit, or to some subdivision of it; except in the case of such a power and flexibility of talent as might fairly deserve the name of genius.

A distinction has been drawn by some political economists between productive and unproductive labour; the former being defined to be that from which some *material*—some visible and tangible—product is derived; such as the labour of the farmer, the cotton-spinner, the silk-weaver, &c.; and the latter comprising the services of all the learned professions and of some classes of artists. In consequence of the line thus drawn between them, it is sometimes supposed that labourers of this latter class are merely so many drones of the community, "*fruges consumere nati*," "*immunesque sedentes aliena ad pabula*," maintained by the industry of others, and contributing nothing to the actual wealth of society; that the good or the pleasure which we derive from them perishes in the very act of enjoyment, and leaves but a remembrance behind. Although this distinction cannot be expressly negatived, that the labourers of the one class do actually produce tangible commodities, while those of the others do not; it must at the same time be remembered that the wants and enjoyments of civilized society are far from being confined to those of a purely material and physical character; and that, from the grati-

fication of our intellectual and metaphysical capabilities, we derive an enjoyment of a higher order, and by no means less, sometimes considerably more, intense; and that we shall be happier and more elevated in the scale of being by alternating our mental and physical gratifications. In some cases too, it not unfrequently happens that the advantages which we derive from what is called unproductive labour, are, even in a utilitarian point of view, not less real, and substantial, and tangible, and permanent, than those which productive labour is capable of yielding. The health which we may sometimes regain from the skill of a physician is not a less substantial benefit than the nourishment which we draw from the labour of the farmer and the baker. The vindication by a lawyer of our claim to a property which may enrich our family through a long series of generations to come, is surely at least as substantial and as enduring an advantage as anything that a spinner of wool or cotton can supply; and the education which a man receives from the labour of a competent teacher, which is commensurate with his existence, and qualifies him to become, in his turn, a worker in some field of intellectual cultivation, is an advantage not less permanent and reproductive than any that the mere physical labour of muscles and sinews is capable of yielding. It is also true that capital may be invested in the one, as securely and profitably and with as speedy a return, as in the other.

The manager who employs an orchestra of musicians can realize as large and as immediate a profit, after paying for their services, as the master manufacturer who hires the labour of carpenters or locksmiths. If we follow up that distinction into all its logical consequences, it will lead us into the grossest absurdities ; it will lead us to the extremity of believing that the physician who prescribes our medicine is an unproductive labourer ; and that the apothecary who manufactures it is a productive labourer ; that the labour of the advocate who pleads for our legal rights is unproductive, while that of the scrivener who transcribes his brief is productive ; it will teach us to consider the labour of a preceptor, who gives us real instruction, unproductive ; and that of the didactic writer, productive. The fact is, that the labour of any man who benefits his employers in any way, cannot be regarded as other than productive, and that the only labour deserving to be called unproductive must be something like that of one who fatigues himself by flinging stones into the sea, or tracing out profiles and landscapes in the fire. The distinction, then, must be regarded merely as a verbal formality, unaccompanied by any real or intrinsic difference, beyond that existing in the respective objects and subjects of the two species of labour ; a difference which, upon ethical and metaphysical principles, must be considered to be in favour of that higher order of labour which some political economists term unproductive.

Among the phenomena exhibited by labour in the great majority of its departments there is one which introduces an additional element into the question of its relations. In most cases the labourer is a person of such limited means, that he cannot wait for the price of his labour until the time when, in the ordinary course of trade, it would be returned to him. He must, therefore, either borrow money upon which to subsist during the interval, and add to the price of his labour the interest which he pays for the use of that money ; or—which is virtually the same thing—he must let out his labour to another man, who pays for it at short and regular intervals, and appropriates its result, charging to the public such a price for the manufactured article as repays him the wages which he has advanced to the labourer, together with such interest for the time during which he waits for a return, as the usual competition of trade will render it safe for him to demand. This person is called a capitalist, the money which he advances in wages, and the purchase of machinery, &c., is called capital ; the interest which he adds to the prices of manufactured commodities is his profit ; and the act of self-denial by which he invests his capital, with a view to the return of an eventual profit, in preference to expending it immediately upon his own gratification, is by some economists—for want of a more strictly appropriate name—called abstinence It is obviously

the interest of the capitalist to realize as large a profit as possible, and the interest of the public to buy manufactured commodities as cheap as possible; and the competition excited in this way between capitalists, each endeavouring to sell as largely as possible, tends to keep down the prices of manufactured commodities to a low per-centage upon capital, and at the same time to create a request for such improvements in machinery, as may diminish the demand, and consequently the price, of labour. The public, meanwhile, are benefited by this intervention of the capitalist between them and the labourer; because the magnitude of his transactions enables the capitalist to accept a much smaller amount of profit upon each separate article than would be demanded by the labourer, whose labour he discounts—an advantage somewhat analogous to that derived from the interposition of retailers between the manufacturers and the eventual consumers; the profit charged by the retailer, who is also in his way a capitalist, being less than equivalent to the convenience of purchasing articles at such short intervals and in such small quantities as may be required.

The different forms in which capital appears are almost as various as the different occupations of men; but in general it may be defined as including the *material* which is united with industry for the creation of a product, the *instruments* used by the labourer, and the *fund* from which he

derives his maintenance. Under the denomination of material it includes all mineral, vegetable, and animal substances in their raw (or unmanufactured) state, upon which the labourer works, so as to commute them into new products; *instruments* include all such things as spinning and weaving machines, workmen's tools, ships, waggons, store-houses, &c.; and under the third term is implied the money which keeps all the operations of manufactures in motion. Containing, as it does, all these different elements, capital is generally classified into *fixed* and *circulating*: that from which the proprietor derives profit by changing its place or form, *i.e.*, his money and raw materials, being called *circulating*, and all his implements, machinery, and buildings coming under the appellation of *fixed*.

Contrary to what may be generally supposed, money forms but an inconsiderable portion of the aggregate capital of a wealthy nation or individual; for there is a constant tendency to convert circulating into fixed capital, which is more slowly consumed, more easily transmissible from one generation to another, and more calculated to enable a community to provide for itself all the conveniences of life. It may be said, in fact, that the social advantages, which our generation enjoys over the aboriginal inhabitants of the country, are mainly attributable to the accumulation of fixed capital now possessed by the country—our

buildings, roads, canals, harbours, and other public institutions.

To investigate the origin of capital, it is necessary to search far back into the infancy of society. The nucleus of capital is, in all cases, created by transferring some portion of wealth from the purposes of immediate gratification to some process of exchange from which it may return to the owner with an increase: "The savage," says Mr. Senior, "who, instead of devouring the animals which he has entrapped, reserved them to become a domesticated flock; and he who reserved to be employed as seed, some of the grains which he had gathered, laid the foundation of capital."

The advantages conferred by capital upon labour, and by which it is rendered more productive, are evidently these two. In the first place, the labourer is assisted with suitable machinery and instruments; and secondly by having his labour discounted, as it were, by being maintained during the progress of his work, he is enabled to work with an immunity from the intermissions and anxieties which the necessity of providing his own maintenance would involve. To estimate the full extent of these advantages, we need only suppose the condition of a number of skilful workmen, anxious to work, and yet placed in circumstances where, although the natural agents of production lay around them in abundance, they could command no capital either in the shape of implements or

sustenance. It is evident that, in such a position, their skill and industry would avail them but little, and that they must resort to the temporary contrivances and uncertainty of savage life. In order to obviate this necessity, their first care should be to manufacture the best implements which, under the circumstances, they could construct; and to reserve some portion of the first produce of the earth, as a means of increasing their next and future harvest. This would be the beginning of an accumulation of fixed and circulating capital.

QUESTIONS.

What are the three classes of production?

What are the analogous terms for the three instruments of production?

And for the shares of the result appropriated by the three classes respectively?

What are the five causes of difference in the amount of wages?

On what principle does the third of these causes operate upon wages?

Why must wages be high in the fourth case?

How do the uncertainty of success and the possibility of signal success counteract each other?

How does the progress of civilization affect the wages of educated labour?

What is the value of a versatility of talent in different stages of social progress?

What is the difference generally recognized between productive and unproductive labour?

Do you consider this a valid distinction? And for what reasons?

What renders the assistance of the capitalist necessary to the labourer?

What is profit and how is its amount restricted?

What is meant by the term *abstinence*?

How does the operation of capital benefit the consumers of manufactured articles?

How does it serve the labourers?

How are consumers benefited by the existence of retailers?

How is capital classified relatively to the various elements of which it consists?

How, with reference to the manner in which it is used?

Can you illustrate the origin of capital?

CHAPTER V.

MACHINERY.

As machinery is understood to include all those agents, animate and inanimate, by which the physical labour of man is saved and assisted ; horses and other beasts of burden, as well as steam-engines and ships ; and as the effect which it may have upon the value of human labour has been frequently the subject of angry discussion and discontent, manifesting itself in “strikes,” and other combinations ; it appears almost necessary to devote a separate chapter to the consideration of the real consequences of its extensive introduction, particularly as it constitutes the principal portion of the fixed capital of most of our large manufacturers.

The saving of human labour effected by the employment of horses in this country, and in the East of camels and elephants, is too notorious to require illustration, but the most powerful of human agents, natural or artificial, is the steam-engine, which can be made to exert almost any requisite degree of force, can be used on land or

water, either as a stationary or locomotive power, and can be controlled in all its movements, and all the countless diversities of its operations, by the smallest ordinary exertion of human strength, so that the economy of labour effected by it may be almost said to be incalculable.

There are also other advantages to be gained by the substitution of inanimate machinery for manual labour, of which the following may be particularly specified ;—1. It is cheaper : because, for instance, a steam-engine of forty-horse power can be purchased for less than forty horses, and be kept at work for a much smaller daily expenditure. 2. Inanimate agents are safer ; because they have no passions, and can be more uniformly controlled ; and although a locomotive steam-engine may sometimes run away like a team of horses, and cause considerable destruction of life and property, we shall find that human mismanagement, in some shape or direction, is always to be blamed, and that the losses so caused are much smaller, in proportion to the amount of travelling and carrying, which machinery has created, than they were previously to its introduction. 3. Machinery requires no intervals of rest and refreshment. so that time is economized as well as labour. A horse, even at the slowest work, cannot labour for more than ten hours a-day, while a steam-engine will work without intermission all the way from Liverpool to Calcutta. 4. Machinery can be

worked and driven, as long as we need, without the infliction of pain or suffering; which must be regarded by every well-constituted mind as, perhaps, the most important of all its advantages.

5. Machinery can be employed, as a substitute for human labour, in a great variety of operations, which are highly injurious to the health, and calculated to shorten the lives of human beings.

The popular and *prima facie* objection to improvements in machinery, and the consequent substitution of mechanical powers for the labour of human hands, is, that upon the introduction of every new mechanical agent, large numbers of labourers are liable to be suddenly thrown out of employment; and it must be admitted that, although such changes do not actually impair or diminish the fund out of which labour is maintained, still, that the alteration produced in the direction of its distribution must cause serious temporary inconvenience and suffering to large sections of the community. To this objection various answers have been suggested. Sometimes it is advanced, that the construction of the very machines by which manual labour is superseded offers a new source of employment equal to that which is intercepted; but in such a case there would be no such saving to manufacturers as the introduction of machinery was intended to effect, and the only advantage resulting to them would be the increase in the productiveness of the same

amount of labour ; which is most probably the real state of the case. Again, it is alleged that the reduction in the price of the manufactured article, resulting from the substitution of machinery, enlarges the demand to such an extent as to employ, in attendance upon the machinery and other collateral duties, the same or even a greater number of hands than before ; and this is generally the result. But the true and more philosophical principle of compensation appears to be this ; that, as the capital available for investment in labour is practically undiminished, it must be eventually transferred somewhere, and take with it the supernumerary labourers from one sphere of industry to another ; that a temporary inconvenience cannot be avoided, except, perhaps, by the operation of a general forethought and prudence among the labourers themselves, in making preparation for the contingency of such revolutions ; and that as soon as the inevitable transfer is fully effected, labour will be more remunerative than before, because of the additional advantage of the reduction in the price of that particular commodity in the production of which machinery has been employed. But experience supplies more convincing arguments than theory. It may sound like a paradox to assert that machinery of any kind, the more it is calculated to save labour, will increase the demand for labour in proportion ; but such has been proved to be the fact. The manu-

factures into which machinery has been most extensively introduced during the last quarter of a century, are those of iron and cotton ; and although one man can now by its help do what was previously the work of one hundred, in no species of manufacture has the demand for manual labour increased, during that time, so much as in these two. The case is precisely analogous to that of an increase in the revenue, occasioned by a reduction in the tariff. If the price of any commodity of general utility be reduced to one half, the number of consumers will probably increase tenfold ; and in this way many things have descended, during the last few years, from the rank of luxuries to that of ordinary decencies, or even necessities of life. In fact, the classes of society most substantially benefited by the introduction of machinery, and the consequent cheapness of a great variety of articles, are exactly those who apprehend most injury from the innovation, for, to the higher classes of society, the reduction in prices could have made scarcely any difference ; it signifies nothing to the possessor of a large hereditary estate, whether the price of any commodity which he requires be one pound or twenty ; but, to the man whose weekly income consists of a few shillings, a considerable reduction in prices will bring the ability to enjoy many things of which he previously knew scarcely the names ; so that his wages, though *absolutely* the same, will be *relatively* very much raised.

There is, however, one very important consideration involved in the question of these mercantile facilities, to which Dr. Chalmers very emphatically invites the attention of governments; that, in proportion as the introduction of machinery (or in other words, the accumulation of fixed capital) is extended; as the artificial wants of society are multiplied by the increased facilities of gratification; and, as the natural agents of production are laid under contribution to the utmost limit of their fertility; in the same proportion must be the extent of the injury and distress occasioned by the derangement of society in any great political convulsion.

QUESTIONS.

What do you mean by machinery?

What is, confessedly, the most powerful and versatile of machines?

What are the advantages of machinery over the labour of men and other animals?

In what respect may a railway train be regarded as a safer conveyance than a stage coach?

What is the objection generally raised by labourers against the use of machinery?

To what extent is this objection justifiable?

How has it been variously refuted?

If labour be not really superseded by machinery, how is the capitalist benefited?

Can you illustrate by actual results the effect of machinery on the demand for labour?

What classes of society have been most benefited by the introduction of machinery, and why?

In what way may wages be supposed to have been raised by it?

What is one effect, according to Dr. Chalmers, of great industrial productiveness in a political point of view?

CHAPTER VI.

RENT.

In proportioning the prices of manufactured commodities to his outlay of capital, so as to make them compensate for the temporary absence of his money, the capitalist has a still further addition to make to them in order to indemnify himself for the payment of rent; because no manufacture of any kind can be imagined which has not been, at some stage or other of its progress, subject to the payment of rent for land; all the raw materials of manufactures yielded by the soil, and all warehouses, shops, and other premises pay rent either directly and periodically, or in the shape of interest upon purchase money. But it may be asked why it is that, when all other natural agents are open to be freely and gratuitously used by all, land alone, which is equally the gift of the Creator, is so heavily charged with rent? The answer to this is, simply, because in all civilized communities it is limited in supply; and because, in consequence of its being immovable, it is liable to be appropriated. In newly-discovered or newly-colonized countries

the first claimants pay no rent, because, in such cases, the supply is practically unlimited ; but as population increases that supply becomes proportionally restricted, and persons requiring the use of land are obliged to pay for it a yearly sum proportioned to the fertility, situation, or other advantages of the locality. Political economists are in the habit of illustrating the course of events by which land becomes a mercantile commodity, by supposing that all the best land in any given district is first brought into cultivation, and that as soon as the demand for the use of its produce begins to press upon that limit, land of the next inferior quality will be taken into occupation ; and that as this course is followed up, of resorting to successively inferior soils, the superior qualities will become chargeable with rent in proportion as they severally exceed in fertility the land which has been most recently occupied. For instance, if the land that has been included last within the pale of cultivation produces twenty bushels of corn upon each acre, the several rents charged upon the superior qualities will be equal to the quantity by which the produce in each case exceeds twenty bushels ; land producing thirty will pay a rent equal to ten ; land yielding fifty will be chargeable to the value of thirty, and so on. This hypothesis explains the principle upon which the institution of rent is founded, although such a regular gradation may not actually take place.

It is a maxim frequently propounded, that rent has no influence upon the prices of manufactures or agricultural produce, for these reasons: that it does not limit the supply, as no manufacturer or farmer will produce less in consequence of having rent to pay; that it forms no part of the cost of production, being payable not until after the commodities in question are produced, and that it is, in fact, merely a deduction from profits which would, in its absence, be so much the larger. Now, these arguments are merely sophisms; because, with respect to the first, it may be easily supposed that a farmer or manufacturer, if he have no rent to pay, may expend a proportionally larger sum upon labour or machinery, and so far increase the supply which is indirectly but virtually limited by the payment of rent; that is, the sum which now goes for rent would otherwise be added to fixed or circulating capital. In the second place, it may be urged, that the time at which the rent is payable cannot be a matter of any importance; because the cost of production must be estimated with reference to the eventual consumer; and if he cannot have the article in question as cheaply as he would, if the manufacturer were free of rent, then rent is of course an addition to that cost. In the third place, it must be nearly self-evident that the usual competition of trade would prevent the manufacturer (if freed from rent) from employing his additional

profit otherwise than as extension of his capital ; and that, as every extension of capital has the effect of cheapening commodities for the consumers, they would be the party most benefited ; while the manufacturer would gain the profit arising in the ordinary way from the extension of his business ; which would, however, be less in proportion, the more his trade was extended.

If it be true that the payment of rent has no effect upon prices, then it is also true that the imposition of a tax upon the materials or the produce of manufactures can exert no influence upon prices ; and consequently that a remission of taxation can have no tendency to reduce them ; a conclusion which is the reverse of a most notorious fact.

It has been sometimes a very prevalent belief that the wages of labour are disproportionately low, compared with the profits realized upon capital ; but this belief arises from our losing sight of the various and successive investments of capital which the manufacture of the most simple commodity almost invariably involves. The manufacture of a book, in which there is about an average division of labour, will serve as an illustration of the process. The manufacture of a book of course means the bringing it to that state in which it is ready to be sold to the public. The publisher pays the author (who is, in this case, the immediate labourer) a certain sum for the use

of his manuscript (*i.e.* for the copyright), and so far invests capital in the book; he also invests, as so much capital, the money which he pays to the paper-maker, to the printer, and to the binder; and all these, in their turn, have capital invested in labour and machinery; and again the manufacturers of those several sorts of machinery have capital similarly invested. Now, the price of the book must be such as to pay its proportion of profit to all those several capitals invested, how remotely soever, in its production; and it is evident that, as some portion of the price of every copy of the book must be devoted to that complicated purpose, a much smaller profit than may at first sight be supposed can be realized by the publisher, except in the case of a very large circulation; and, that those authors (or labourers) only, whose works command a very extensive circulation, can be very liberally paid. In precisely the same way we might analyse the several successive items of cost in the production of any manufactured commodity.

As a formal definition, Profit may be stated to be the difference between the cost and the price of commodities—regarding rent as an item in the cost; or, between the amount of capital invested and the amount of its returns; and upon the principle explained above, rent may be defined as a payment for the use of land or analogous agents, equal to the success of production over an average profit upon capital.

If the effect of the employment and the extension of capital be a reduction of prices in favour of consumers, it follows necessarily that, *ceteris paribus*, the amount of profit and the amount of capital will stand in an inverse ratio to each other, *i.e.*, that, as capital increases, profits will fall in proportion; and as capital decreases, profits will proportionally rise. On this principle—that the rate of profits depends on the proportion between the amount of capital and the demand for its produce, and that the rate of wages depends, in like manner, on the proportion between labour and the demand for its produce—Dr. Chalmers has founded the theory, that it is in the power of labourers, by keeping down their own numbers, to maintain a high rate of wages; and in the power of capitalists, in like manner, by withdrawing more of their capital from trade, to create a proportionate advance of profits; and, that the absence of any increase in the labouring population, and in the amount of invested capital, would raise the amount of wages and profits relatively to rent, and of course at the expense of the landlords.

Of this theory, however, it must be observed, that such a combination between the members of the respective classes, a combination so enduring and pervading as it implies, could scarcely by any possibility be effected; and it must be also borne in mind that the removal of capital from trade would diminish the demand for and the wages of

labourers, in the same way as a reduction in the number of labourers would inevitably diminish the demand for manufactures; so that these two classes, after digging a pit for the landlords, would fall into the midst of it themselves.

QUESTIONS.

Why is land more uniformly chargeable with rent than other natural agents?

How is the origin and increase of rent illustrated by political economists?

Why has it been supposed that rent forms no part of the cost of production?

Is it true that it has no effect in limiting the supply of manufactured commodities?

By what external causes is the rate of profit limited?

How do you define the term "Profit?"

What is the relation between the amount of profit and that of invested capital?

What is "Rent?"

On what do the rate of wages and the rate of profit respectively depend?

What is Dr. Chalmers' theory of the relation of wages and profit to rent?

How would you reply to this argument?

CHAPTER VII.

DEMAND AND SUPPLY.

It has been already observed that the innate propensities of our nature are among the most powerful regulators of the relations of society, and we shall find accordingly that the correspondence existing between demand and supply is as much a result of the unalterable conditions of our natural constitution, as the division of labour or the accumulation of wealth. It is a wise arrangement of Providence that no amount of wealth which a human being can possibly possess will enable him to consume with safety to himself, a larger quantity of the actual necessities of life than the poorest individual. He cannot, consistently with his health, upon which all physical enjoyment depends, eat more or drink more; he has no more than the same number of limbs to be clothed, and it is therefore indispensable to his making use of his surplus wealth, that he shall resort to the gratification of that love of variety which is natural to man, and relatively to which alone, the rich man, regarded as a single individual, can have any advantage

over the poor. Under these circumstances he will require a diversity of things produced by the labour of others, and his wants acting simultaneously and in the same direction with those of other rich men, will of course create a demand, as it is technically called; for all those various commodities.

Under the head of this chapter there are four terms to be taken into consideration; *supply*, *demand*, *production*, and *consumption*. *Supply* may be defined to be that portion of any commodity which the possessor is willing to part with for an equivalent, whether it be the produce of his land or his factory; or simply, his skill, or his manual labour. *Demand* is the inclination and the ability to give something in exchange for such a commodity. *Production* is the act by which a value not previously existing is imparted to any commodity, or, more concisely expressed, the application of labour to capital for the creation of a new product; and *consumption* is generally defined as being the destruction of value. It will be perceived that these four terms are connected by a certain relation, because, the end or object of *production* is *supply*, in the same way as that of *demand* is *consumption*. And again, *production* bears the same relation to *consumption* that *supply* bears to *demand*. With respect to the above definitions it is necessary to observe, in the first place, that the mere inclination to acquire any commodity is not of itself

sufficient to create a demand, because many costly possessions and enjoyments may be very earnestly desired by persons who have not the means of acquiring them, and whose wishes cannot possibly constitute a demand, and therefore, in order to the existence of a real, or, as it is technically called, an *effective* demand, it is necessary to include in the definition the *ability* to acquire. Secondly, of the definition of consumption it is necessary to remark that it applies only to that species of consumption which involves the destruction of the article in question, such articles as those of food, drink, and clothing; and that there are other species of consumption, to include which a more comprehensive definition is necessary. Articles are sometimes consumed and destroyed for the purpose of being changed into others of greater value; this is reproductive consumption, which we see exemplified in manufactures, where raw materials are destroyed for the purpose of imparting an additional value or utility to the same particles of matter in a new shape and under a different name. But commodities are also sometimes said to be consumed in cases where they are not destroyed, nor even altered in any way, further than passing from the possession of one individual into that of another. For instance, an artist paints a dozen pictures which he intends to sell; when they are purchased off his hands, they are said—being regarded as articles of merchandize—to be consumed, while

they are, at the same time, intended by the several purchasers to be most carefully preserved, and with a probable increase of value the longer they are kept. In the same way an edition of a new book is said to be consumed when it is sold off; but, although the premature destruction of an edition of a book might be, under certain circumstances, a benefit to author and publisher, it is not by any means understood that the copies so sold off are destroyed. The term *consumption*, therefore, might be more logically defined as the removal of a commodity from the operations of trade by those persons for whose use it was originally intended; *i.e.*, by those who buy it from the retailer, or whoever else the last seller may be.

Supply and demand have a natural tendency to compensate each other. An increase of demand, in the case of any of those commodities of which political economy can take cognizance, creates in a short time a corresponding supply, because the inducement of an advanced price—prices being always regulated by the proportion of supply to demand—tempts a greater number of persons than before to become producers of that particular commodity. And again, when the increased supply satisfies the demand, and thus reduces it relatively to that supply; if that supply, under the impetus which it has received, should still continue, it will either induce a more extensive demand by the temptation of a reduction in price, or, for want of

a corresponding demand, will soon fall to the ordinary level of natural value. Hence it is evident that the supply is increased, and the price eventually reduced, through the competition which is created among the producers, by the anticipation of the profit derivable from the demand. As it is by this relation between demand and supply that wages and profits, and consequently prices, are regulated, and as this relation may reasonably be regarded as a combination of natural and invariable causes, it is plain that any legislative interference with their operation, otherwise than by adding to the cost of production by taxation, must be altogether ineffectual. It may be observed here, that this cost of production varies relatively to the persons with reference to whom it is computed. To the manufacturer of any commodity, it is the amount of the united expenses involved in its preparation ; to the ultimate buyer or consumer, it is the amount of these same expenses increased by taxation, and the profit which the manufacturer must add to its price, in order to repay himself for time, trouble, risk, and all other sacrifices. The real cost of production, in fact, is what the consumer pays, and it makes no difference to him how many or what elements have entered into the calculation and regulation of that sum. The original cost of a pound of tea may be about two shillings, but if, when it reaches his hands, after passing through those of a succession of merchants and the Custom-house, the

price has risen to five shillings, then five shillings is the cost of production so far as he is concerned.

The instances are numerous and familiar that exemplify the compensating relation between supply and demand, a relation regulated by a law which we may observe in constant action through all the phenomena of nature. We see some new manufacture coming into existence almost every week, and we find that its products are at first sold for high prices, that is, relatively to the intrinsic value of the materials. This is the case while labourers in that particular sphere of industry are few; presently, as additional hands are drawn to it from other works in which wages are lower, the remuneration that attracted them gradually diminishes, competition ensues, and prices fall; so that if, instead of purchasing at once, as many will do under the inducement of the novelty of the thing, we are content to wait awhile, we shall find that we can obtain the article in question for perhaps a fraction of the original price. Fifteen years ago an uncoloured photograph portrait used to cost a guinea; at present, anybody may have a better one, than could be taken at that time, for about one-eighth of that sum.

Six or seven years ago the daily wages of an agricultural labourer in the Sister Island was about sixpence. Since that time the labouring population has been diminished to little more than one-half of its previous number by famine,

emigration, and other collateral causes. Within the last two or three years the greater portion of the land has passed into the hands of proprietors possessing more capital for investment in labour than their predecessors ; the agricultural prosperity of the country has been reviving, and in consequence of the diminution in the supply of labour, and the demand for it at the same time increasing, the daily wages of labourers during this year's harvest have risen to about six times their former amount.* In the usual course of events, however, this proportion between supply and demand cannot long continue, for it has been found that population and labour have a peculiar faculty of adapting themselves to circumstances, and the result will be, according to all experience, that, notwithstanding the mania for emigration which has recently derived an additional intensity from the dread of taxation, the population will in a short time increase up to a level with the demand. In a civilized community, where the average standard of intelligence is high, and the regular and long-established professions are fully supplied, the appearance of any new department of skilled labour is certain to command, in an unexpectedly short time, a supply extending to the utmost requirements of the demand. The railway mania of the years 1845—6, in which so many fortunes were won and lost, created an unprecedented and

* See the *Times* and other papers of September, 1854.

sudden demand for mechanical and surveying engineers; the call was responded to almost immediately; and although, just at the commencement of the excitement, any individual who possessed and could use a theodolite was certain of an ample remuneration for his time and such services as he could perform, the enthusiasm, before it died away, had called into existence so large a number of duly educated and highly competent engineers, that, on the sudden cessation of the demand, emigration and the translation of their talents to other professions, became the outlets through which the superfluous supply was drawn off. But it is perhaps as a check to monopoly that this principle of compensation between supply and demand operates most beneficially on the ordinary transactions of society. In illustration of this, we may adduce the case of two rival newspapers, which we shall call A and B, edited with equal ability and of equal size. In consequence of being longer in existence, or from some other cause, A has a larger circulation than B, and therefore receives a larger number of advertisements from persons desirous of attracting the greater amount of public attention, and must of course contain a proportionately less amount of other information. Then, as advertisements are a comparatively uninteresting sort of reading, except perhaps to a philosopher, who might study from them the vices and follies of mankind, the generality of readers

will begin to prefer B, who is obliged to fill up his columns with more entertaining paragraphs. B's circulation will consequently increase, until he also becomes an advertising medium to the same extent as A ; when the interest in his publication will proportionately decrease, until the attraction on both sides becomes equal ; but only to be again varied by some of the inexhaustible devices of rivalry and competition.

Some political economists are in the habit of dwelling rather emphatically upon what they term the intensity of demand, and the various degrees of that intensity. In the ordinary and regular relations of society this intense or latent demand does not make itself perceptible, and, having therefore no effect upon prices, except in very peculiar and seldom-recurring circumstances, cannot be regarded as coming properly within the scope of the science. In order, however, to explain what it really is, it is necessary to mention that it is measured by the sacrifices which would be made under extraordinary circumstances for the possession of the particular commodity in question ; that is, by the price which is to be paid for it, if the usual proportion between supply and demand were materially disturbed. It would, of course, vary with the means, and capabilities, and self-denial of different persons, and that variation may be familiarly exemplified any day by the biddings of the several purchasers at a public auction. For

instance, when an entire community is laid under the visitation of a famine, the prices of provisions must rise in proportion as the supply is diminished ; but, with every successive advance in prices, a certain number of purchasers must fall off, and cease to buy to the same extent as before ; in such a case, that portion by which the consumption is diminished, in consequence of the rising prices, is the measure by which this intensity of demand is exceeded by the price, and the portion which still continues to be consumed is the measure of the intensity of the demand which is still equal to the price. But it is scarcely possible to imagine any limit to which an intensity of demand may not under the pressure of strong necessity, extend itself, in the case of those commodities which human nature cannot dispense with. History supplies us with many instances, in the narratives of long sieges, shipwrecks, and other extremities, where the last agonies of hunger and thirst have driven men to offer prices, limited only by the utmost extent of their worldly possessions, for the most common and unclean articles of food. These being very exceptional cases, and altogether outside the sphere of the normal operation of ordinary demand and supply, are nevertheless worthy of consideration so far as they serve to teach us that those wants, which we will sacrifice most to satisfy when brought into stern competition with other wants, are those which, under ordinary circum-

stances, we can satisfy most easily and most cheaply.*

The tendency to compensation between demand and supply which we find operating so uniformly in manufactures, cannot always exist in the case of articles of food, because the inconveniences of a scarcity such as may result from the failure of any crop in general use, cannot be abated by human industry when nature denies her usual co-operation with industry. The deficiency cannot be made up until another harvest yields its produce; and the only mitigation of the suffering that can be expected from the ordinary agency of trade, will be such an arrangement, that an advance of price, by keeping down the rate of consumption, will distribute the limited supply equally over the whole interval, instead of allowing consumption to go on at its usual rate during one portion of the year, and leaving the remainder altogether unsupplied. This indeed is the course which events, if left to themselves, would always take in such cases, because the generality of consumers would use less than their usual quantity, in consequence of the advance in price, and farmers would, of course, take care to have the existing supply sold off at that price, before it would be rendered worthless by the arrival of the new crop. Upon this prin-

* As a familiar illustration at the present moment, read the prices paid for articles of all kinds by our brave soldiers in the Crimea.

ciple, some political economists have written remonstrances against the expedient frequently adopted in times of scarcity, by benevolent persons, of forestalling, or buying up large quantities of the deficient crop, and disposing of it to the poor on lower terms than the market price for the time being, because such a proceeding tends to exhaust the existing supply prematurely, and consequently to raise prices to an excessive standard towards the close of the year, or perhaps to leave that interval without any supply whatever. It would, they say, be more judicious either to refrain altogether from interfering with the market, or to make up the deficiency by providing some other articles of food which may be had in abundance.

QUESTIONS.

How does our natural love of variety act upon the relations of demand and supply?

What is the tendency of that relation?

Give the definitions of the terms *Demand*, *Supply*, *Production*, and *Consumption*.

What relations exist between these several terms?

Why do you include the element of *ability* in the definition of *Demand*?

Why do you consider the definition of consumption, as given above, defective?

How would you improve the definition?

On what principle does an increase of demand create a proportionate enlargement of supply?

What do you mean by a reduction of demand?

How do you define the cost of production with reference to different classes of persons?

Can you exemplify the relation between supply and demand by any familiar instances?

Can you adduce any instance of its operation as a check upon monopoly?

What do you mean by the phrase, "intensity of demand?"

Can you give any familiar example of the principle of its operation?

Do you know of any very extreme instances?

What moral lesson may be deduced from these facts?

Is the ordinary relation of supply to demand always observable in cases of scarcity of food?

What would be the most advisable arrangement in such cases?

On what principle has the system of forestalling for charitable purposes been censured? Illustrate this from a late occurrence in France.

What course has been recommended in preference?

CHAPTER VIII.

MONOPOLIES.—LAND.

A monopoly may be defined to be the power or privilege of producing commodities by the co-operation of labour with an appropriated natural agent, and the proprietor of the agent in question is called a monopolist. For instance, the exclusive right to import the produce of any particular foreign country,—such a right as was for a long time enjoyed by the East India Company,—the exclusive privilege of fishing, or shooting wild birds in any particular place, or, that of using any particular scientific invention, are all so many monopolies.

Monopolies are generally divided into four classes.

The first class includes those in which the monopolist has not the exclusive power of producing, but merely the right to produce in some particular way, and with the aid of some particular facilities which enable him to produce in larger quantities, and more cheaply than others. The advantage of such a monopolist consists in the greater profit

which he can derive from selling the commodity so produced at the regular market price, that is, at the price for which other manufacturers, who produce it without the help of those facilities, can afford to sell it. It is evident that this class of monopolies is meant to include all such labour-saving machines as are the subjects of patents. As it is a peculiarity of all machines of this sort,—such as spinning, weaving, sewing, and printing machines,—that their profits increase with every extension of their application ; and as it is never worth while to erect machinery for the production of small quantities, it might be easily supposed that the exclusive proprietors of such facilities might increase their profits *ad libitum* ; but their profits, large as they are in any case, are limited by some important considerations. As the value of commodities depends upon limitation of supply, it would not be their interest, at the commencement, to carry the productive power of their machinery to its fullest possible extent, because the production of any unusually and superfluously large quantity would reduce the price of the commodity to such a degree as to defeat its own object ; or, if the price were still maintained by the manufacturers, would cause a considerable portion to lie on their hands unsold. Their most desirable course, then, with a view to the greatest practical extension of profit, must be to induce a gradually increasing sale, by a gradual, but proportionately less, diminu-

tion of prices ; and in this way, their own interest and that of the public will coincide.

The proprietors of monopolies of this sort (*i. e.* of patents) are frequently in the habit of permitting other parties to make use of their inventions, on payment of a certain yearly sum, which, from its analogy to the price paid for the use of land, is called *rent*.

The second class of monopolies includes all those under which the price of the particular produce in question is checked by no apprehension of eventual consequences, the proprietor having the exclusive right of producing, and the amount of the produce being limited by inevitable and natural causes. An instance very generally adduced of this class of monopoly, is the vintage of some particular district, which owes its peculiar flavour to local circumstances, is the property of some one individual, and cannot be forced into yielding a larger produce. The literary works of any particular author, or the master-pieces of a particular artist, may also be regarded as familiar instances. In this case also, contrary to what may be anticipated, the profits are limited ; because, although no other producer may be able to enter into a competition with the proprietor, and though the supply is strictly limited by the physical impossibility of any increase ; still purchasers will not be induced to make too large or too inconvenient a sacrifice for the gratification of possession ; especially if, as is

most generally the case, the product in question be some article of luxury or taste, with which they can easily dispense.

The third class comprises monopolies less restricted than the preceding,—those of which the proprietor is the only producer, but in which he is able, by investing additional capital, to increase his produce and his rate of profit to a considerable but not an unlimited extent. Such a monopolist is the publisher who owns the exclusive right (called the copyright) of printing and selling, to the full extent of the demand, copies of any particular book, or pictorial engraving, or musical composition; and in proportion as he can increase such a supply, the greater will be his profit upon each copy.

The fourth class consists of those under which production must be partly effected by the aid of natural agents, of limited number, and various degrees of power, but yielding less proportionate assistance to every additional expenditure of labour and capital. From this definition, it will be evident that the species of monopoly in question is the most important and permanent of all—the possession of *land*.

The course of events by which land, originally accessible to all, and practically unlimited in supply, becomes eventually a matter of private possession, has been explained above in the chapter treating of *Rent*. In addition to the facts there

illustrated, there are other circumstances relating to the possession of land, which it is necessary to take into consideration. The land proprietor is the possessor of a monopoly which has not the same unlimited capabilities of production and profit as an appropriated piece of machinery, but which fully compensates that inferiority by being a source of gain more enduring, less fluctuating, and less likely to be materially affected in its steady and uniform productiveness by competition, the aid of which, as already stated, is more or less indispensable to the efficiency of all other productive agents; which enables its proprietors to control and give a direction to the powers and capabilities of all others; and which, especially in this country, is rendered peculiarly valuable and influential by the defences and privileges with which the laws invest it, as well as by the public services and obligations which have been always and everywhere attached to it. Of the former the most remarkable is the law of primogeniture; and, among the latter, those which offer themselves most prominently to our notice, are the obligation of military service in ancient and mediæval times, and at present, the support of the church establishment. These several obligations would seem to have been originally appended to the possession of land, as being that species of property which alone it was impossible to remove or incapacitate from its liability to the action of the laws. Money

or cattle may be removed or concealed in order to evade legal obligations ; buildings may be accidentally or maliciously demolished, and the ownership of various other kinds of property may be fraudulently disavowed ; but the land is there always, visible and tangible, and whether tilled or not, always liable to the operation and exactions of the law.

The law of primogeniture is that by which a land property passes unbroken to the eldest son of the family, and is thereby transmitted undiminished from generation to generation, subject only to such liabilities as the arrangements made for the partial independence of the junior members of the house may entail upon it. This custom took its origin, to all appearance, in the obligation of military service, which was made a condition of the tenure of property under the warlike governments of early times. It was necessary for that purpose, that there should be some head of the house, some one representative of the property, who might be held responsible for, and kept in a proper position to fulfil the duties involved in its possession ; and it was with this view also that among the ancient Germans, from whom many of our institutions are derived, the first idea of the Salique law arose, by which the female members of the family, as not being competent to perform military duties, were excluded from the inheritance of land, so long as a male representative was forthcoming. The im-

mediate effect of such a law in our time is obviously, in the first place, to perpetuate a hereditary aristocracy of wealth and intelligence; and, at the same time, to produce many other collateral and subordinate advantages, which may not, at the first view, be equally apparent, and can be estimated only by considering the probable consequences of the abolition of the law, and the progressive breaking up of large territorial possessions among the several members of each successive generation. Let us suppose a property which has hitherto passed entire through several generations, and has produced to the representative of the family for the time being, an annual income of a thousand pounds, enabling him to maintain a respectable position in society, and to provide for the younger members of his family, by setting them afloat either in the learned professions or the service of the government, and perpetuating in this way the social rank of the whole family. On the first partition of the property—supposing the law of primogeniture to be set aside—four children will become the possessors of £250 a year each, which will not, without some aid from other sources, enable them to maintain the position held by their ancestors, or to make so effectual a provision, as had been heretofore secured for younger children, because the subdivision of each of these fourths of the original thousand a year will leave the next generation almost without any patrimony

whatever ; and after a still further division, the property may be said to have disappeared, for all practical purposes, altogether from the family, who will be reduced in this way from the rank of gentry to that of humble cottagers, extracting a miserable subsistence from a few acres of land. To this sketch of the consequences to the family itself must be added the vexations and quarrels, the jealousies, and, more than all, the litigation which would inevitably aggravate the miseries of each successive partition.

But the consequences which would result to the community and the government of the country are yet to be considered. In the first place the only fund available to the government as a source of revenue is the balance which remains of the produce of agriculture, after providing for the maintenance of labourers in the necessaries of life : that balance is the only source from which can be supplied the means of purchasing the several products of manufactures and commerce that are the *media* through which taxation falls indirectly upon the land ; and it is quite evident that, by the endless subdivision of land, the fund would be destroyed by which all tax-consuming institutions, —religion, science, art, literature, law, armed protection, and all the embellishments and higher enjoyments of life—are supported.

In the second place, even before matters were reduced to this extremity, the area for the incidence

of taxation would be virtually and practically reduced, because any tax of the nature of a direct territorial impost can be much more easily borne by, and collected from, one individual possessing a thousand a year, than from ten men possessing a hundred a year each. A tax of ten per cent. on the income of the former could not interfere with his enjoyment of any ordinary comforts or elegances, while it would inevitably subject the latter to some inconvenient privations.

Thirdly, as the greater portion of the taxes paid by the higher classes of society are those which increase the prices of luxuries, and as these taxes, operate as a sumptuary law upon the humbler ranks of the community, the extinction of a class of extensive and wealthy landlords would virtually exclude all such articles from the market and from the tariff. That portion of the population which the present law of land-property leaves free to engage in the several departments of trade which now supply all these requirements of a refined civilization, would then become exclusively agrarian; and all would be less comfortably supported on the land alone than they are now maintained by the land and trade together, so that the change, instead of improving the condition of any, would degrade that of all.

There are still two other considerations which, although they present rather a moral than a political aspect, are not perhaps, for that cause, less

worthy of our attention. The first is that such a state of society and of national revenue as that just described, would afford no room or sphere of action for either the employers or the workers in the various pursuits of science, literature, and art; nor would it leave even a sufficient number of individuals or a sufficient quantity of intellect free to engage in the moral cultivation and improvement of society. There would be, in fact, after a time, no reading public; there would be no vestige of that literary and æsthetic class which the present state of things contributes to maintain in a position more or less favourable to the prosecution of those various departments of mental industry. The second is, that the beneficial influence of the *example* of the refinement and moral elevation of the higher classes upon the lower levels of society, an influence which is capable of operating powerfully upon the feelings of self-respect and emulation, would be altogether intercepted; and the evils, both positive and negative, resulting from the want of an aristocratic element of this sort, can be estimated only by comparing the condition and habits of the lower grades of society in a country from which its proprietors are habitually absent, with those of the corresponding ranks in a country where they are habitually present.

It cannot but be that, in the great majority of cases, strong feelings of sentiment and affection must plead loudly against the operation of the law

of primogeniture: no parent can contemplate without some emotion, the wide difference which it establishes between the worldly prospects of one child and those of another, both equally dear; when he might, but for that law, equalize the circumstances of all. It has been shown, however, that the interests of the family, considered collectively and with a regard to future generations, are best consulted by the existing arrangement. It has happened more than once, that a younger son, after rising to the summit of some honourable profession, has actually purchased the hereditary property of the family from his elder brother, whose improvidence had rendered him unable to keep it; and it has also happened that, where the elder brother has respectably maintained his position, a younger member of the house has become the founder of a family superior in wealth and reputation to his own. The maintenance of the church establishment, which has been mentioned above as one of the principal obligations attached to the possession of land property, will be considered in the next chapter.

QUESTIONS.

What is monopoly?

Can you give any instances?

What is the first of the four classes of monopolies?

What sort of property does this definition include?

How are the profits of such a monopoly limited ?
In what way can they be most effectually enlarged ?

How do you define the second class ?

What sort of property does it comprise ?

How are the profits limited in this case ?

Define the third class.

Of what does the fourth class consist ?

What is the difference between a monopoly of this kind and one of the first class ?

What is the cause of its peculiar importance and value ?

Why were these obligations attached to the possession of land ?

What is the law of primogeniture ?

To what would you attribute its origin ?

What is the most obvious effect of this law ?

Can you describe the probable consequences to a family of its abolition ?

How would its abolition affect the national revenue, and for what reason ?

How would it affect the several trades and industrial occupations of the community ?

What moral effects do you think likely to result from such a change ?

What is your idea of the effects of *absenteeism* ?

How would you reply to the arguments likely to be suggested by parental affection in favour of a change in the law of primogeniture ?

CHAPTER IX.

TITHES.

Land property directly maintains the religion of the state by the assignment to it of a certain portion of its produce. To explain the principle of this claim on the part of the national religion to a share of the national wealth, it is necessary to mention that a regular system of tithes, as every reader of the Old Testament is aware, existed by Divine command among the ancient Jews: and, that the origin, in modern times, of all ecclesiastical benefices, was the income tax of ten per cent., imposed during the third crusade, and in consequence of the purpose for which it was designed, called the *Saladin tax*.

In the early eras of society, all rents were paid in the primitive and inconvenient shape of a certain stipulated portion of the crops and other produce raised from the land; and tithes, which were virtually, as they are now both really and ostensibly, a portion of the rent, continued to be paid in this form long after a money composition was substituted for the landlord's share. Under this

form tithes constituted, or rather operated in the same way as, a tax upon agricultural produce, tending to prevent the extension of cultivation to poorer soils, which would have yielded no more than a subsistence for labour employed upon them.

The abolition of that system, however, by a recent and more convenient arrangement, has rendered it unnecessary to discuss the question of its effects, further than to make the two following observations: In the first place, that the total abolition of tithes—a measure so loudly demanded—like the removal of any other tax, would have set agriculture free from a certain restriction, increased produce, lowered prices, and caused a temporary reduction of rents: because any sudden increase in the produce of land, such as an abundant harvest, or the universal and simultaneous introduction of any improvement in agricultural machinery—if such a thing were possible—tends to lower prices, to abate the competition for land, and consequently to reduce rents. But this would last only for a time; because population would have increased up to the limit of the enlarged supply, and the state of things would be relatively just the same as before; there would have resulted a larger population subsisting in the same style in which the smaller number had previously lived; and secondly, that they were a less equitable deduction from the gains of industry than rent; because their amount was fixed, irrespectively of

calculations which should have suggested "a sliding scale;" while that of rent fluctuated according to circumstances: all lands, how different soever in fertility, yielded a tenth of their produce to the church; while rent has been always, since its commutation into money, apportioned to the productive value of the land. The partiality of their pressure consisted in this, that, of two proprietors of two farms, one of which would produce five times as much as the other to the same amount of labour, the former would have been able, five times more conveniently than the latter, to spare a tenth of his crop. It might have also happened that, within a given district containing lands of different degrees of fertility and undergoing a gradual process of improvement, the increase of tithes might be in an inverse ratio to that of rent; because as the successive qualities of land came into cultivation, they would immediately become chargeable with tithes, before they could have yet begun to pay rent. In this way, tithes would, at the commencement of the process, have preponderated; but afterwards, when the superior qualities of soil began to pay high rents, which would be a much larger percentage than tithes, rent would, in its turn, present the larger amount. The commutation of tithes into a money charge upon rent payable by the landlords, is a change which should properly have taken place when rent itself was commuted from a payment in kind to a payment

in money. Such a course would have obviated the innumerable misconceptions, jealousies, and heart-burnings, that for a long time tended to cast a weight of odium upon the church. It would have at once set the claim of the church in its true light, and clearly vindicated the principle that, under the original allotment of the property of the nation, the church became fully and legitimately entitled to its share, as landlords to theirs, and that, to the payers of rent, it is perfectly immaterial that a portion should be so appropriated; because rents would not be permanently reduced by the abolition of the charge; with this very important difference, that the community is indebted to the church for the residence in many localities, where such persons would never be otherwise found, of a highly educated and exemplary class of gentry, whose presence is frequently the nucleus of a growing civilization.

QUESTIONS.

What was the first institution of tithes?

When were they first revived in modern history?

How were tithes and rents originally analogous?

How did they affect agriculture, in their original form?

What would have been the consequences of their total abolition?

Can you explain the inequality of their pressure?

Under what circumstances would rent and tithes have fluctuated in an inverse ratio?

What would have been the advantage of an earlier commutation?

CHAPTER X.

TAXATION.

Taxes may be defined to be the price which every individual pays, in proportion to his wealth, and therefore in proportion to his wants, for the protection of government and the use of various public institutions. It is necessary to the existence of society, and to the industrial and intellectual progress of a nation, that every member of the community should be secured in the possession of his wealth, and in the liberty to increase it, and dispose of it in any way not inconsistent with the laws made for the general welfare. If these securities be not attainable, no man will take the trouble or incur the risk of acquiring possessions of which he is liable to be deprived by fraud or violence, and these securities the government of a country cannot afford without the means of paying the several persons employed in its service sufficiently to enable them to devote their whole time and attention to public duties. The reluctance to pay taxes arises from the preference which every man naturally feels for being the distributor of

his own expenditure, instead of handing over the dispensation of it to others ; and this is the foundation of the complaint generally put forward by those who feel themselves deprived of some comfort or necessary for themselves and their families, which they could have procured for the money paid to the tax collector ; and who forget to calculate the expenses which would be necessary to insure the continuance of the many advantages that they derived from being members of a well-organized community ; and the great loss of time and trouble which the duty of procuring these benefits for themselves would entail upon all. It is true that, in every civilized country, the amount of money raised by taxation is much more than sufficient to maintain the government and its officers in all the rank and dignity necessary for the proper discharge of their important duties ; but, at the same time, very much less than the aggregate of the expenses, exclusive of the inconveniences, to which the want of such a system would expose every individual. Indeed, if the revenue derived from taxes were always conscientiously expended upon those objects only for which it is ostensibly collected, tax-payers, so far from having reason to complain, might fairly consider themselves gainers under a system of comprehensive and cheap accommodation ; but when, under some despotic and rapacious governments, the industrious portion of the community find that a heavy percentage

upon their income and expenditure is wrested from them in order to be capriciously lavished upon the idle and incompetent dependents of those in power, they are apt to overlook the civil advantages which make even the worst and most unprincipled form of government a state of things infinitely preferable to the insecurity of anarchy, and to abandon in despair all endeavours to improve their individual condition, under the uncertainty of any benefit resulting to themselves from their exertions. It is in this way, as the wealth of a nation depends upon the ability of its citizens to contribute to the public revenue, that rapacity on the part of a government eventually and inevitably defeats its own object; and, by laying heavy imposts upon industry, in order that a number of unprofitable consumers may live in magnificent idleness, leaves itself in the end without the means of gratifying its extravagance. In a well-ordered government, on the other hand, where the bearing of public opinion is adequately represented in the legislature, the laws may be regarded as an embodiment of the general and practically unanimous wishes of society, and taxes will be more readily paid where the great mass of the community feel that they have a voice in the management of the public expenditure.

Various modes have been resorted to, at different times, for the collection of taxes, accordingly as they seemed best calculated to obviate the possi-

bility of evasion ; but they may all be conveniently divided into the two comprehensive denominations of *Direct* and *Indirect taxes*. *Indirect* taxes are those which are included in the prices of various commodities in general use, in such manner that the commodities cannot be purchased without at the same time paying the taxes. These may be again divided into four classes, under the names of *Customs*, *Excise*, *Differential Taxes*, and *Stamp Duties*. Of these the two first mentioned kinds together constitute by far the largest source of revenue—*Customs* being laid on commodities imported from foreign countries, such as wine, tea, coffee, sugar, spices, &c., and *Excise*, upon those manufactured at home, such as malt, hops, paper, and various other raw and manufactured materials, the taxes upon all these commodities being exacted before they are allowed to be offered publicly for sale ; in the former case, before they are removed from the stores of the custom-house where they are deposited on their arrival from abroad, when they are said to be “in bond ;” and in the latter case before they can be removed from the premises of the manufacturer:—Both are paid in the first instance by wholesale merchants, who add to the selling price of the commodity the amount of the duty together with the interest on the money advanced. The tax, thus eventually falling upon the consumers, who are the unconscious payers of it, is increased, by interest and expenses of collection, to

a sum considerably exceeding that which eventually finds its way into the public exchequer; and in this way the prices which the public pay for most of the commodities in general use are raised to an amount many times greater than the original or "bonded" price. For instance, in the present state of the tariff, (*i.e.* making full allowance for recent reductions in duty) it may be calculated that, of the price paid by the public for tea, not quite one-half is actually paid for the tea itself, more than one hundred per cent. being made up of duty and its collateral expenses; the addition made to the price of sugar is something more than fifty per cent.; and the duty on tobacco, which is intrinsically worth about sixpence per pound, is rather more than nine hundred per cent.

There are few questions in political economy which have provoked more contradictory discussion than that of the effect of taxation upon industry and the moral condition of the industrious classes. It is the opinion of some economists that taxes constitute no check upon the enjoyments of the humbler classes of the community: taxes, they say, do not destroy, they merely transfer the means of expenditure; and as no man can spend his income without benefiting a number of those around him, the general result is the same; for the combined outlay of the tax-payers and the tax-consumers is just what the expenditure of the tax-payers alone would be in the absence of the imposts. This transfer

however, is the particular grievance of which other economists complain, a transfer of the power of purchasing and enjoying from the general mass to a few. A single shilling, for instance, may pass from one man to another several times in the course of a day, and at each transition may purchase some enjoyment for each of the successive holders : but, that locomotive faculty of the shilling is of no advantage to the persons through whose hands it does not pass. Perhaps, the real state of the case may be best illustrated by examples. The recent reductions of the duties upon tea and coffee have enabled almost the whole population—to their great moral and physical benefit—to indulge in what was, at one time, confined to the highest and wealthiest classes ; and this has been but one of several advantages derived from the change. The additional consumption has increased the profits of all the mercantile people engaged in those trades ; and not in those trades only, but also in several home manufactures, the produce of which has been more largely taken in exchange by the producers of tea and coffee : it has also improved the revenue derivable from these and other departments of commerce. In taxation, it is a plain and widely recognized axiom, that two and two do not make four ; or, in other words, that to double the duty upon any particular commodity will be very far from doubling its revenue, but that, on the contrary, it may reduce it, by narrowing the circle of

consumers. On the other hand, a reduction of the duty to one-half will most probably double the revenue; because it is very probable that, for every one individual who can afford to pay a tax of two shillings, there are eight or ten who can afford to pay a tax of one shilling; for there are at least ten incomes of £50 a year for every one of £100. Again, if the duties upon French wines were considerably reduced—as they most probably will be in a short time—a large portion of the community might begin, for the first time, to enjoy a beverage more wholesome and far less demoralizing than those in general use; more capital would be embarked in the trade; more of our manufactures would be bought in France, from which they are at present excluded by a high tariff; and the frauds which are now so extensively and successfully perpetrated in the adulteration of wines, would be suppressed by the fact of their ceasing to be profitable.

Experience has not by any means justified the apprehension that, on a considerable reduction of any indirect taxes, wages would fall to such a degree as to neutralize the benefit of the ensuing cheapness; it has been found that the impetus given to the branches of trade so liberated has at least maintained their level, and probably even raised the wages of the other species of labour—agricultural, for instance—from which the superfluous hands are called away. Such an anticipa-

tion, in fact, appears to have been equally deceptive with those which were entertained respecting the introduction of machinery and the repeal of the corn laws. If an argument or theory be good for anything, it must bear the test of being carried out to the utmost limit of its application, and the benefits or disadvantages which it involves in that position must exist in a proportionate degree at any intermediate stage of its progress. Thus, if a high tariff be beneficial, a higher scale of duties must be still more advantageous; and accordingly, if duties of nine hundred per cent. *ad valorem* were laid upon tea, coffee, and sugar, we are bound to believe that no harm would be done; because the means of expenditure would be only transferred, and two or more important branches of trade almost totally annihilated. If, on the other hand, foreign trade be beneficial—and that its benefits, moral, political, and social, are of the highest value, no man can rationally deny—then, as it is extended, by every reduction of the tariff, a less exclusive scale of duties must be proportionally advantageous. But, it may be said that this theory also should be tested by an application to extreme cases; and that if the theory be true, the benefits of a low tariff would be infinitely extended by the total abolition of all protective and exclusive duties. To this we reply, that the benefits resulting from every such reduction have been of late years satisfactorily demonstrated; and that we shall presently consider

the advantages of a total removal of all indirect taxation.

Differential Duties, now practically abolished in this country but still maintained in other places, are those which are imposed for the purpose of giving an advantage to one class of producers of the same commodity over another; for instance, to colonists over foreigners, and to home-producers over both. This is supposed to be effected by laying a heavier duty upon goods imported from foreign countries than upon the same goods if brought from colonies or produced at home. Our corn laws, recently repealed, are a familiar instance of a differential tax. The principle upon which they were founded was the supposed necessity of protecting the corn-growers of this country from a competition with those of other lands who enjoyed a more genial climate, and were less heavily taxed, and who might therefore be able to undersell them in their own markets. It was the same principle upon which the land-owners of Essex, Hertfordshire, Kent, Surrey, and Sussex, once petitioned the houses of parliament against the construction of roads to the more distant parts of the kingdom, lest their monopoly of supplying agricultural produce to the metropolis should be destroyed. It was supposed, previously to the repeal of those restrictions, that the cereal agriculture of the country, when exposed to foreign competition, would be in the position of some

delicate exotic plant, suddenly removed from a conservatory into the open air of an ungenial climate, while the actual result has been, that it has derived strength and self-confidence from the change. Indeed it could scarcely have been otherwise; for the average quantity of foreign corn imported in any one year would not feed the population of England for more than about ten days. The removal of differential taxes (or restrictions, or protection, which always has a tendency to divert the flow of capital and enterprise from its natural channels) constitutes what is called *Free Trade*. It would leave all the nations of the earth to enter into an industrial competition, so far as circumstances permit; for that competition would not be, after all, so close or intense as it might *prima facie* be supposed. The great differences, which Providence has wisely and unalterably established between the capabilities of different lands, would eventually restrict their several exports to those commodities in the production of which nature herself had assigned a monopoly to each. The impetus which a universal system of free trade would impart to commerce and manufactures would most probably operate not so much in creating actual profit, as in establishing a system of international accommodation: the money paid to us by foreigners for our exports would very nearly go back to them in payment for our imports; or, in mercantile language, the rates of exchange

between us and foreign nations would, on an average of years, be equal; but we should enjoy the convenience of a greater variety and number, and a wider choice of imports, with a corresponding expansion of ideas, than we can now command for the same money; so that the wages of labour and all incomes whatever, though they should remain the same in actual amount, would be relatively raised.

Stamp Duties include all those taxes laid by government upon written and printed documents, such as leases and other agreements, patents, licenses, and all other formulæ by which the competency of persons to exercise certain trades and professions is accredited, including professional diplomas and university degrees.

All these taxes are called *indirect*, because they are disguised under the payment made for some useful commodity; and because the burden is eventually transferred, from those who pay the amount in the first instance, to those who purchase their commodities or services.

Direct taxes are those which fall immediately upon those who pay them, without the intervention of any ostensible purchaser, and cannot be transferred to any other parties. The assessed and income taxes are familiar examples of this species of impost. As it is a question frequently discussed, whether direct or indirect taxation be the more satisfactory to government and

the less oppressive to the community, it will be necessary to compare them briefly. There are three principal points of view in which they may be conveniently placed in juxta-position. In the first place, indirect taxes are more easily evaded; large quantities of merchandise are continually brought into the country without passing through the Custom House, notwithstanding the incessant vigilance of the numerous staff of officials whom the government is obliged to maintain for the prevention of smuggling; on the contrary, the value of all incomes and properties except in a few very trifling cases, is so notorious or so easily ascertained, that the evasion of an income and property tax, for all practical purposes, may be said to be impossible; secondly, the incidence of *direct* taxes is more impartial; for being generally of a sumptuary nature, they fall principally upon the wealthier classes; and thirdly, *direct* taxes are more easily and, consequently, more cheaply collected; the difference in this respect is so great, in consequence of the number of customs and excise officers, that not more than two-thirds of the revenue raised from the public by these departments is available to the government for general purposes. But, notwithstanding this preponderance in favour of direct taxation, the public have been so ignorant of their real interests, and the indirect taxes are paid so unconsciously, that ministers of state, though fully aware of the

wisdom and honesty and convenience of a comprehensive system of direct taxation, have not ventured to stem the strong current of public opinion, and are only now, by slow and cautious degrees, introducing that system, not yet fully developed, into the financial arrangements of the government. And here we would quote some remarks bearing on this subject, from an excellent little work entitled "Phenomena of Industrial Life," edited by that eminent Educational Reformer, the Dean of Hereford.

"Statesmen cannot achieve impossibilities ; and when that which is considered best by the enlightened few is impracticable on account of the opposition of the unenlightened many, statesmen must reconcile themselves to put up with the least bad of all the means left at their disposal by the public opinion which they cannot venture to defy. We might suppose statesmen so deeply impressed with the evidence and arguments in favour of direct taxes, as to have provided themselves with a scheme for banishing customs and excise taxes henceforward and for ever ; and that their scheme shows beyond all question that, in order to raise the same amount of revenue, for every *three* shillings taken from the people by indirect taxes, *two* shillings would suffice by the scheme of direct taxes. Nevertheless, before they could think of introducing their new scheme, they would have to satisfy themselves of the kind of reception in

store for the tax-collector, when it would be his duty every week, month, or quarter to ask for each individual's quota of the direct taxes.

“ We fear that in the present state of intelligence, there would be a large majority in most communities unable to comprehend that, by paying two shillings directly, they avoid paying three shillings indirectly. Many, accordingly, would throw difficulties in the way of the collector, and some would even resist the law. There is only one means of removing this obstacle to direct taxation—better industrial teaching to enlighten the ignorant.

“ Many, we fear, would not have the two shillings wherewith to pay the collector. If it be asked how this could possibly happen, seeing that tea, sugar, coffee, tobacco, beer, and spirits purchased every week actually cost three shillings less than they did previously to the substitution of direct for indirect taxes, the only answer that can be found is that two shillings out of three shillings had been spent dishonestly, and the remaining shilling wastefully. There is but one means of removing the obstacle to direct taxes presented by dishonesty and waste—better industrial training.”

The wisdom and plain good sense of the above remarks must carry conviction to every impartial mind. Sincerely do we hope that the attention which is now given by statesmen, lawgivers, divines, and literary men, to education will, before

long, result in such a wide diffusion of knowledge that all obstacles to a system of direct taxation will be done away. We must add one other observation in conclusion—the “sliding scale” principle has of late, from well-known causes, become very unpopular, yet we cannot but think that in a system of direct taxation, such a principle would be most equitable. A tax of twenty per cent. upon a thousand a year would leave the proprietor in possession of eight hundred a year: while the same tax upon one hundred a year would leave the proprietor but eighty pounds. The sliding scale is an expedient of very remote origin, for which we are indebted to the wisdom of a celebrated ancient. When the sixth king of Rome, Servius Tullius, who lived just 2430 years ago, was arranging the proportion of taxes to be laid upon the several *classes* of his subjects, it will be remembered by the readers of ancient history that he regulated their respective burdens according to their respective incomes, leaving the poorest class altogether untaxed, because, as he said, they were taxed weightily enough in the maintenance of their children; and completing his wise and humane arrangement by assigning the largest political privileges to those upon whom he laid the heaviest exactions. It is at once evident that no such arrangement could possibly be effected under a system of indirect taxation.

It may be advisable to state more fully some of

the advantages to be expected from this commutation of taxes. First, there would be a reduction in the prices of all exciseable commodities, considerably greater than might be generally anticipated ; for these reasons, that the additional heavy percentage imposed by the tariff includes not merely the duty, but the interest upon the duty charged to the consumers ; and that the investment in trade of the capital now absorbed in the payment of duties would occasion that further reduction in prices which is the invariable result of conducting business on a large scale. Secondly, a considerably smaller amount of revenue than that raised by indirect taxation (probably about two-thirds) would give an equal money-power to the government ; for very nearly all the expenses of collection would be saved. The Chancellor of the Exchequer might shut up every custom-house from Duncansby Head to the Land's End, and from Malin Head to Cape Clear, and remit to the public the annual amount of the expenditure on the revenue establishments, which may be estimated at about six millions, together with proportionate expenses in other departments. Thirdly, such a system would put an end to the manifold complaints and remonstrances against the real or exaggerated effect of taxation upon industry and upon the enjoyment of the more humble ranks of society ; and would, still further, be attended with all the advantages resulting from the intro-

duction of the elements of candour and sincerity into pecuniary transactions; those who are really, would then be really and ostensibly, the payers of the whole taxation of the kingdom, and the burden would be fully compensated by advantages in which they would most largely participate.

QUESTIONS ?

What are taxes ?

How are they classified ?

What are the benefits derived by the community from taxation ?

What is the essential difference between *direct* and *indirect* taxes ?

How many kinds of indirect taxes can you enumerate ?

How do *Customs* and *Excise* taxes differ ?

What burden in addition to their own amount do these taxes impose upon consumers ?

Can you mention any instances of the effect of a reduction of duties ?

What would be the probable effect of an excessive duty upon articles in general use ?

What are differential taxes ?

What was the object of the corn laws ?

How would the competition provoked by free trade be likely to be restricted ?

What advantages would the general mass of consumers most probably derive from it ?

What are stamp duties ?

State fully what benefits would most probably be derived from the adoption of a system of "direct taxation."

What do you mean by a *sliding scale*?

Can you adduce any instance of a sliding scale from ancient history?

CHAPTER XI.

FOREIGN TRADE.

One of the great and essential differences between the human and other species has been concisely stated in the definition which describes man as "an exchanging animal." His natural propensity to buying and selling, or rather the necessity under which his natural constitution obliges him to buy and sell, in some shape or other, distinguishes him as emphatically from the rest of the creation as the faculty of speech, or the power of classifying his ideas by abstraction. A reciprocity of buying and selling between two nations, generally called "commerce," is precisely analogous to that between two individuals, each possessing something, which the other has not and wishes for, in larger quantities than are required for his own use. The existence of these mutual wants, was the great inducement by which the several nations of the earth were first led to become acquainted with each other, and after ministering to each others' desires and necessities, to communicate their acquirements in art, science, and

literature, and the knowledge of their several political institutions. Thus commerce has been, from the earliest dates of history, the great engine of civilization, and the principal motive to the colonization of distant lands by the civilized nations of antiquity, who fixed their several homes of industry and centres of trade along the historic shores of the Mediterranean.

Perhaps, the most remarkable instance on record of the civilizing consequences of commerce, is presented by the alteration in the moral and industrial aspect of the immense territories of Hindustan, effected by European mercantile enterprise; but another and scarcely less wonderful instance is the present condition of England, a country which, twenty centuries ago, presented the same features of ignorance and primitive barbarism, which she is, herself, now endeavouring to enlighten in South Africa and the islands in the Pacific. Where, or in what manner, commerce and civilization first began to cultivate human society, we are unable, with our present knowledge of the history of our species, to ascertain; further than the inference from all circumstantial evidence that they originated in the East. We know by actual experience that no nation ever *began* the work of its own civilization, and that the first rays of illumination have fallen from without, upon every now civilized community: we are therefore driven to the conclusion, that to whatever

nation first emerged from barbarism, civilization must have been originally communicated as an institution of Divine revelation.

As the first advances to a commercial intercourse between any two nations must have been made on the part of the more civilized, the course of events would probably be—in fact we know by experience that it frequently has been—something like the following. When a mercantile adventurer first finds his way to the shores of some yet unknown land he discovers that the simple savages, who are its only human inhabitants, are ready to give him in exchange for things of little intrinsic value—such as brass rings and glass beads—other articles for which he can obtain large prices at home. Finding the speculation profitable, he comes again and again, and observes that, at each successive visit, the supply of native produce is greater than before ; and this, in proportion as their love of variety is gratified and developed. They are beginning to exercise an industry of the value of which they had previously been ignorant. In the course of time the trade will naturally extend itself ; a regular and periodical supply of the products of the new country will be raised, consisting, in the first instance, of course, of raw materials such as articles of food, the skins of wild animals, &c. ; until by degrees it rises to the rank of a commercial nation, and adopts the manners and institutions of its more civilized customers. It was in this

way that, about twenty-five centuries ago, the Phœnicians reclaimed from barbarism and established marts of commerce along the accessible points of Africa and Europe; and, in our own time, commerce is the great lever by which the load of ignorance is being raised from the natives of many distant and barbarous lands.

It has been already observed that the mercantile advantage derivable from commerce consists almost exclusively in the variety of commodities which it supplies to the choice of consumers at home; and that the actual profit with which it is to be credited arises from the impulse that it lends to the agricultural industry of the several trading communities. The general course of international commerce may be most familiarly illustrated by one particular instance. A cargo of goods from Birmingham and Sheffield goes to France, and is sold for £1000, at the same time that an importation of wine, of equal value, arrives in England from Bourdeaux. The French merchant who purchases the English wares, instead of paying money for them, gives an order, called a bill of exchange, upon the English merchant who purchases the French wine; and the exporter of the hardware receives his money from the importer of the wine. Thus the demands on both sides are settled by bills which may pass, not directly between the principal parties, but through the hands of a third party called a bill-broker; and these bills

become of more or less value, in proportion as there may be more money due at the time by France to England, or by England to France. If the French traders have claims upon the English traders to an amount exceeding that which the English traders have upon them, bills drawn upon France will be worth something more than the amount stated; this addition to their value will be called a *premium*, and the rate of exchange will be said to be against England. In that case bills drawn upon England will suffer a proportionate diminution of their stated value; and such a deduction will be called *discount*. It is evident that, under this system, the French wine is paid for with the English hardware, as the exporters of the latter receive their payment from the importers of the former; and are in reality working for the accommodation, and maintained by the wealth of purchasers at home, though they are ostensibly labouring in the service of customers abroad,—and that the real and only difference between the manufacturer for home consumption and the manufacturer for exportation is this—that the former supplies a commodity which is immediately purchased at home, while the latter supplies a commodity which goes to pay for something to be purchased by consumers at home. It is also evident that, when once the internal (agricultural) resources of a country are developed by commerce to such an extent that their utmost fertility is ex-

hausted in the maintenance of the whole agricultural and commercial population, commerce has reached that limit beyond which its further extension will cease to be proportionately remunerative and secure; and further, that, at such a stage of industrial progress, the extinction of one or more departments of foreign trade can have no effect in repressing the activity of agricultural industry which they have called into existence. In such a case the expenditure previously devoted to the purchase of the imported article would be transferred to some corresponding enjoyment in the way of home manufacture; not of course, without some serious temporary inconvenience to the class of persons who would be transferred from one employment to another; and the government would receive an additional income from the excise equivalent to the falling off in the customs. It frequently happens, however, that nations of great manufacturing skill and industry, but possessing a proportionally small or unproductive territory, extend their commercial operations far beyond the limit at which their own agricultural produce ceases to be sufficient for the maintenance of their busy population: they are obliged, as England is to some extent, to import articles of food, and to give their manufactures in exchange; they stand in the same relation to the countries which supply them with provisions, as the inhabitants of a manufacturing city to the food-producing district

by which it is surrounded ; and the analogy holds good in every particular : for, as the agriculture of a country, once roused into activity, suffers no suppression from the extinction of one of its manufactures, so the agricultural community which maintains the manufacturing, can continue to exist in the same abundance as before ; while the latter is distressed, and perhaps dispersed and annihilated, as soon as the former cease to be its consumers. In such a community, depending altogether on its foreign trade, the maintenance of that trade must ever be the most important and vital consideration of its government ; and the extinction of that trade by hostility or successful rivalry must inevitably result in the same consequences which extinguished the baseless and unsubstantial glories of Tyre, and Venice, and the Hanseatic towns of Germany. On the destruction of their foreign trade, the population of such a state are precisely in the position into which the workers in the cotton factories would be thrown, if the calico trade of Manchester were suddenly superseded by the introduction of some cheaper and more serviceable fabric. From all this it must be clearly evident that an Englishman who makes use of foreign goods exclusively, such as French wines, Polish corn, &c., as he causes the exportation of an equal quantity of English goods, gives the same encouragement to home industry as if he used only home produce and manufactures ; and, on the same prin-

ciple, that an English landlord residing in France spends his income as beneficially for English trade, as if he lived all his days in Leicestershire or Yorkshire ; because it makes no difference, as to the mercantile effect, whether British consumption of foreign produce takes place at home or abroad. The exporting manufacturers of England are paid, in the one case by bills drawn abroad upon their importing fellow-traders at home ; and in the other case by bills similarly drawn upon the agents of the absentee landlords. Why, then, it may be asked, has the system of absenteeism provoked so much indignant remonstrance ? The reason is simply this ; that the complaint originated against the absenteeism of the landlords of Ireland, which is not a manufacturing country ; at least, not sufficiently so to prevent its being called, for all practical purposes, an agricultural country ; and this makes all the difference ; because the English absentees receive their rents, not in the actual produce of their lands, but in goods manufactured by those who are supported by that produce ; while the Irish absentees have their rents remitted to them in the food which, if they remained at home, would feed manufacturing labourers. In the former case, labour only may be said to be exported ; in the latter, the maintenance of labour is sent away.

The effect of the opening of a new foreign market to a country already enjoying an extensive

foreign trade—nothwithstanding the enthusiasm with which such an event is generally welcomed—would be merely to transfer mutual expenditure from some of the old markets, and so to leave matters as they were before; except it should happen that the new market supplied agricultural produce in exchange for manufactures; or, that it supplied raw materials and brought back the goods into which they were manufactured—as America sends raw cotton to Manchester and pays in wheat, maize, and rice, for having it worked up into printed calicoes—in which cases the old emporium would have all the advantages of receiving maintenance in exchange for labour. But although this would be the utmost benefit, in a mercantile point of view, to be expected from access to a new market, still the moral and political advantages of such an extension of international acquaintance may be a consideration of much higher value to both parties, than the mere profit of trade. There seems to be a natural barrier to the extension of foreign trade, which it cannot very far or very long transgress; and though it may feel itself restricted at present—less restricted, however, than formerly—by the artificial limits of the custom house, still, after the removal of all the artificial restraints, and the establishment of a perfectly free trade, it would be found that the natural barrier would soon form an obstacle standing but a short distance outside the other, and which it would not be per-

manently safe to overpass. The natural barrier would be the limit of the constant and reliable supply of agricultural produce, and in this sense we may fully recognise the wisdom and truth of the maxim of a celebrated ancient,—Γεωργία μήτηρ τεχνῶν.

QUESTIONS.

In what sense has man been defined as an exchanging animal?

What are the moral advantages of commerce?

What was the earliest probable origin of civilization?

Can you sketch the course of events by which a barbarous nation may become commercial and civilized?

How do you illustrate the fact that the commercial prosperity of a nation must depend upon its international resources?

What do you mean by the rate of exchange between any two countries?

How do you define the terms *premium* and *discount*?

To what inconvenience is a nation liable, when depending exclusively upon its foreign trade?

What would be the effect upon English trade of the absenteeism of English landlords?

What would be the difference in the case of Irish landlords, and why?

What is the effect to be anticipated from the opening of a new foreign market?

What would be the limit to the extension of foreign trade, after the removal of all fiscal restrictions?

CHAPTER XII.

POPULATION.

The important and interesting question of population, of all those to which political economists have devoted their attention, is that one upon which the most widely erroneous theories have been advanced. The vast number of disturbing causes, natural and providential, that have been found to interfere with the correctness of the various calculations upon the subject, seem to have been altogether overlooked in some of their most popular, and, for a time, most universally received doctrines.

The proportion which the natural increase of a population bears to the natural increase of the means of subsistence and the laws which regulate that analogy, were subjects which the ancients apparently never supposed to require philosophical investigation. Their general impression seems to have been, that a large population was the indispensable source and material of the national strength and prosperity: and, if we may venture to give them credit for having been aware of the

economic principles upon which such a doctrine may be founded, we shall have also to give them credit for having seen further and judged more correctly than some economists who have discussed and descanted upon the question since the beginning of the nineteenth century; for as the case is one of those in which cause and effect re-act upon each other to a considerable extent, the increase of a population being, as a general rule, the result, may be regarded as a source and a test of the prosperity of the state. Among the ancient Jews, the Assyrians, and the Romans especially, the enlargement of the native population was regarded and encouraged as a national benefit; the *jus trium liberorum* of Augustus is still an evidence on record; even in modern times, during the reign of Louis XIV., pensions were paid from the public treasury of France to families of more than ten children; and at present, in some of the American States, certain inducements are held out by the local governments towards an increase of the native inhabitants. The first writer who attracted public attention to the phenomena of population was Adam Smith; but although his view of the question was characterized by his usual sagacity, he did not enter fully into its discussion. His theory, which is most satisfactorily borne out by the experience of history, is this—that the supply of human beings, like that of any other commodity, has a natural tendency to proportion itself to the

demand, and that where the demand is excessive, as in North America ; or small, as in Spain and Italy ; or imperceptible, as in China, the population will multiply itself rapidly, or increase slowly, or remain stationary, as the case may be. This observation, which is the sum of a few sentences that appear on the subject in the "*Wealth of Nations*," and which precisely expresses the whole truth, was all that was written on the question, until the appearance of the celebrated Essay of Mr. Malthus, in 1798. His view of the proportion between the rate of increase of population and that of the increase of the means of subsistence, after an examination of what he considered the whole evidence pertaining to the case, was this ; that population has a natural tendency to increase by multiplication, as 2, 4, 8, 16, 32, 64, &c. ; while food has a natural tendency to increase only by addition, as 2, 3, 4, 5, 6, &c. ; and that, as human beings increase in a geometrical, and food only in an arithmetical ratio, the consequence must be, when the population of the earth amounts to five hundred thousand millions, that there would be food for not more than a fiftieth part of that number. This theory, alarming as it was, was supported by arguments of so great plausibility, that for several years it remained unrefuted and very generally adopted, and is even still extensively received. At length, however, it began to be perceived that articles of vegetable food, and many

species of animals, have a natural tendency to increase much more rapidly than human beings ;—for instance, that the produce of one acre of wheat would cover the whole soil of the earth in about fourteen years—that, long before the population of the world could amount to fifty times as many as its surface could maintain, its superabundance would be thinned down by starvation ; and that if their natural tendency to increase had been such as he calculated, they would have become so numerous, long before he was born, as to have pushed each other into the sea for want of standing room. The great error of the Malthusian theory was to calculate the actual and not the possible increase of food, and, on the contrary, the possible and not the actual increase of population ; and that error has been disguised by using the word *tendency*, with respect to population, in the sense of capability. It is true that human beings have a (latent) capability of multiplying their numbers by 8 or 10, in the course of a century ; but, as the operation of various disturbing causes has always prevented such an increase, except perhaps during the first century or two of the Adamite creation, or of the settlement of a new continent, it cannot be said that they have a tendency to do so, any more than it can be said that the mountains in Wales have a tendency to become volcanoes, because, like all mountains, they contain substances which on accident might kindle into igneous

action. On the contrary, human beings have always had a natural tendency to disappear from places where the demand and maintenance for population ceased to exist; and to become numerous in places where the supply of food was unlimited and the demand for labour was intense; and, so far have they been from increasing to such a degree as to cover the whole earth that there are to this day extensive and fertile districts, here and there upon its surface, where the inhabitants do not average more than one to every square mile. One document alone—the catalogue of British peerages and baronetcies, extinct from want of descendants to inherit them—is sufficient to prove that human families, even under circumstances apparently most favourable to perpetuity, have quite as strong and natural a tendency to die out, as to increase in the geometrical ratio; and what is true of families may be demonstrated of nations also. The student of history becomes amazed, and sometimes perhaps incredulous, when he reads of hundreds of thousands of soldiers and citizens living in places where the traveller now finds but a desert dotted with mutilated ruins, and the few and scattered huts of poor and ignorant inhabitants. The busy multitude who thronged the stately streets, and the wealthy nobles who lounged away the hours of soft and silken luxury in the glittering palaces of Nineveh, Babylon, Palmyra, and Heliopolis, vanished and melted

from the earth, as the insects of summer disappear before the first breath of winter, and the plains from which they drew their food and their magnificence are now a silent and fruitless wilderness.

Mr. Malthus, in a subsequent modification of his views, recognizes two checks to the increase of population—the positive and the preventive: the former acting externally in thinning a population by physical agencies, such as war, pestilence, famine, &c.; and the latter being voluntary, and applied to the existing population to prevent the increase of their numbers. The operation of these two checks is specified in the second of the elementary principles of the science as stated above, “*that the population of the world is limited only by moral and physical evil, or by the fear of a deficiency of those articles which the habits of the individuals of each class of its inhabitants lead them to require.*”

The application of the preventive check implies a unanimity of purpose, and a similarity of circumstances among the inhabitants of a country which cannot by any possibility ever exist or ever have existed; but the causes which constitute the positive check have in their occasional visitations depopulated extensive districts, some of which have never recovered from their desolation, while others, in which a political and industrial vitality was still maintained, have within a short time presented as numerous and energetic a population as before; illustrating the axiom that where a

demand for population comes into operation, there a population will inevitably arise, even though it should be in places as naturally uncongenial to the human constitution as Sierra Leone, Hong-Kong, or the Maremma. Accordingly, on the other hand, we find in history, that nations endowed by nature with all the conditions favourable to population, fertility of soil, and mildness of climate, have continued for periods, as if slumbering on in a semi-animate apathy, adding nothing either to the number of their inhabitants or to the means of maintaining them, until some exciting event—a change of government, or the sudden growth of some new branch of industry—has imparted an impulse, under which the population has suddenly commenced and continued rapidly to increase. Such was the condition of Hindustan until it was visited by the Europeans. Upon a comparison of the merits of these two checks, the former of which anticipates and obviates the evil of an overgrown population, whereas the latter merely counteracts one evil by another equally great, Mr. Malthus and those who have adopted his views, anticipating a doubling of the population every quarter of a century, can see nothing to save the human race from a want of food and standing-room upon the earth, but a vigorous application of the preventive check. They inculcate the doctrine, that all who are born into the world, under an infringement of the check, and after the time when

the population becomes redundant, should be informed that there is neither room nor food for them; and that, as unauthorised intruders, they should be left to perish accordingly.

Dr. Chalmers, who supports Malthus' view in the main, and returns to the task of inculcating the inutility of every other expedient than the preventive check, in every chapter of his political economy, says "that the produce of the soil cannot be made to increase at the rate that population *would* increase: neither mechanical invention, nor more intense manual labour, is sufficient for the purpose. On the supposition that the numbers of mankind were to increase, up to their natural capability of increase, no human skill or human labour, though doing their uttermost, could suffice for raising a produce up to the population; nor will the mass of society ever be upheld in comfort, without the operation of certain other principles by which to restrain the excess of the population over the produce." This extract is a fair exponent of the views which he repeats, *identidem*, in all the various forms of expression that a practised eloquence places at his command: and to this it may be replied, that although "the produce of the soil cannot be made to increase at the rate that population *would* increase," population on the other hand, has not increased, and never can increase, at the rate at which it might *possibly* increase; that the produce of the soil *would* also increase, if not

checked by consumption and want of space, (agencies analogous to those spontaneous checks which retard the increase of the human race), faster than population ever would or could increase: and that it is perfectly gratuitous to argue "on the supposition that the numbers of mankind were to increase up to their natural capability of increase," because their numbers have never so increased, and never will or can so increase.

With regard to both these checks, it may be observed that it is quite a possible and by no means an unusual phenomenon that the population of a country should remain stationary and within the limits of subsistence without the felt or apparent application of any moral or physical check whatever. It seems to be providentially arranged, that when a nation becomes wealthy and populous, and attains a high degree of civilization, it ceases to multiply its inhabitants at the same rate that prevailed during the intermediate stages of its progress: the highly artificial mode of life which the general refinement of society induces, appears to be almost as unfavourable to the increase of population as a state of indigent and inclement barbarism; so that, as population will not increase where the resources of the soil are yet undeveloped, no more will it increase where these resources have been worked up beyond the capability of further productiveness.

Through every period of the world's history,

savage tribes, and the higher orders of civilized communities have constituted the two extremes where human beings have most slowly added to their numbers.

If such be the case, why—it may be asked,—does it happen that the whole population of a country has been sometimes known to be sorely straitened for food, and to have suffered all the agonies of starvation, until death has reduced their numbers to a level with the existing stock of provisions? The obvious answer is, that when population has increased in the regular and ordinary course of things, up to the regular supply of maintenance, they will of course be distressed by the unexpected failure of a whole crop, on which they usually relied for food; that such an event is a dispensation of Providence, and can no more be obviated—though it may be partially mitigated—by human forethought, than a pestilence, or a deluge, or an earthquake, or a shipwreck, or any other destructive event, over which human precautions can have no appreciable control. If the whole wheat crop of England were to be unexpectedly destroyed by a blight, it has been calculated that the whole navy of England would not suffice to import corn sufficient to supply the deficiency. It is consoling, however, to reflect, that these visitations of famine, as well as of pestilence, are becoming less frequent than in the earlier ages of the world; and that the industrial and mechani-

cal progress of society is at present calculated to supply us with means of relief, and safety-valves (so to speak) which were not in existence in former times. The increased facilities of international communication would now enable any country so overtaken to import large supplies within a few days; or to transmit large bands of emigrants from the place where their presence is but an aggravation of the general distress, to places where their maintenance would form but a subordinate portion of the remuneration of their labour.

After considering these various facts and theories on the question of population, it may be well to state briefly the conclusions deducible from the lessons of history; because if it cannot teach us to draw wisdom from the past, as a guide through the future, history is of no more use than a fairy tale. We learn, then, from this great treasury of human experience that, notwithstanding the strong incentives that have at various intervals appeared to call forth the productive capabilities of the human race to their utmost extent, they have never yet, in any one country, exceeded, by any inconvenient pressure, the supplies of food available for their maintenance; that, the average of the whole earth being taken, the population of the world has always been considerably within the limit of the whole supply of food; and that upon a calculation of the improvements in agricultural industry and in the productiveness of inferior soils during the

past century, and more particularly during the last forty years, it appears that the earth is capable of yielding food to a population more than twice as numerous as any that has ever yet lived upon its surface ; even though no new lands should be hereafter discovered—an event which the undue proportion of water to land in the south temperate zone, and the comparatively small extent to which those seas have been hitherto explored, render far from improbable. In fact, the experience of history proves that, as population increases, wealth also increases and in a greater ratio ; it may be safely said that their normal effect is to re-act upon each other ; for a numerous population in an industrious community creates wealth ; and wealth in its turn induces an increase of population, upon the ordinary principle of the relation between supply and demand. A poor country will be always found to be thinly peopled, and a deficient population, *vice versa*, argues a national poverty, save in the exceptional case of a newly-colonized country. Among a full population, even though it may be necessary sometimes to give labour and skill in exchange for foreign produce, and although the general cost of the necessaries of life may be higher than among less populous communities ; still, if those prices can be commanded more easily than could lower prices under other circumstances, the general advantage will be the same as that of an individual who can earn a larger income in a place

where the expenses of living are high, than he could derive from half-employment in a country where the necessaries of life would be attainable for half-price.

QUESTIONS.

What appears to have been the opinion of the ancients on the subject of population?

By what nations of antiquity was this opinion most practically entertained?

Can you adduce any instances in modern times?

By whom was the subject first philosophically investigated?

What is the theory of Mr. Malthus?

Is it possible that it could ever be practically illustrated; else, why not?

In what does the error of that doctrine consist?

Can you quote any instances from history of extraordinary fluctuations in population?

What are the two most obvious checks to population?

What axiom embodies a statement of their influences?

Is a real and voluntary check actually necessary in all cases to keep down population?

What is the doctrine held by Dr. Chalmers upon this subject?

How would you reply to his arguments?

Under what circumstances is a population least likely to increase—what are the extreme cases?

Under what circumstances might a prosperous community be overtaken by famine?

In such cases, what advantages have our times over former generations?

What inferences may be drawn from history as to the ordinary proportion between population and food?

CHAPTER XIII.

POOR LAWS.

A poor law may be defined as a system of taxation for charitable purposes. As we are taught, upon the highest authority, that we shall have the poor always in the land, and as it seems inconsistent with the avowed principles of a Christian government, that those persons should be suffered to go unaided, who came into the world in a state of mental or physical incapacity to provide for themselves, or who have been reduced to such a state by inevitable misfortunes or by their own imprudence, it has been considered necessary that a public permanent fund for their relief should be established ; and as the law framed for that purpose has been matured into its present comprehensive and regularly organised shape by a series of successive enactments, it may be interesting to give an outline of the several stages through which it passed in its progress.

In the early eras of society, we find that the relief of the poor was always left to the operation of private sympathy and benevolence ; but with the

progress of civilization, and amid the growing complication of interests, it was now felt that such a dependence was too fluctuating and capricious to be regarded as a reliable source of assistance, and at the same time, not sufficiently discriminating to afford a security against abuse and imposition ; and it was, therefore, deemed advisable that the duty of ministering to the wants of the destitute should be confided to officers invested with public authority. The original practice in all Christian countries, and in fact everywhere among men—for charity and hospitality are virtues enjoined by all forms of religion—was that of entrusting charitable donations and bequests to the clergy, to be distributed by them to the best of their judgment and ability ; and this system, slightly modified, still continues in most of the Roman Catholic countries of Europe. In France, Belgium, Portugal, Sardinia, &c., the funds are raised by private and voluntary contributions, and the clergy are either assisted or superseded in their duty of dispensing them by public officers. England appears to have been the country where arrangements were first made by the legislature for the establishment of a public fund for the relief of pauperism ; and her example was followed at various irregular intervals by Prussia, Russia, Denmark, Sweden, Norway, several of the small German Principalities, and those states of the American Union which are of English origin.

The earliest interference of the English Legislature in this matter took place in 1536, immediately after the suppression of the monasteries, which had been, up to the period of their extinction, the channel through which the charities of the rich were conveyed to the needy. At that time, however, it was merely provided that public officers in the several towns and parishes should undertake the distribution of funds committed to them by voluntary sympathy for the relief of destitution. It was not until 1572 that the first act was introduced to levy a compulsory assessment for the poor; this was followed by the celebrated act, the 43d of Elizabeth (anno 1601), which is generally regarded as the foundation of our present system of poor laws. The most noticeable feature of this act was the clause by which a *test* was instituted, and by which it was ordered "*that such persons (i.e. able-bodied applicants) were to receive relief only on condition that they should work for it.*" The operation of this act was further secured by another which was passed after an interval of eight years (the 7th of James), and which authorized the building of "Houses of Correction," in which implements and machinery were provided for all such as were able to work. These enactments, however, were found to be attended with so many abuses and evasions, and the houses of correction, as their name implies, were considered to be so much of the nature of penal establishments, that

an act was passed in 1723, for the correction of "*Work-houses*" in the present acceptation of the term. The next instalment of legislation on the subject was that generally known as *Gilbert's Act* (22d of George III.) which imposed upon guardians the duty of finding work for able-bodied paupers in their neighbourhoods, and of making up the deficient portion of their maintenance by taxation ; this has been looked upon as the immediate source of all the abuses and inordinate exactions that eventually arose under the operation of the poor-law. It was, ostensibly at least, an improvement, for it seemed to afford the means of partially providing for paupers by their own labour, and of relieving the public, to that extent, of the burden of their maintenance ; it seemed an advantage to be taxed only for a portion, instead of the whole of their maintenance ; but the manner in which it proposed to effect this was a most singular and arbitrary interference with the natural and ordinary course of business : it specified the weekly sum which every labourer should receive in proportion to the number of his family and the price of corn, and directed that the amount by which his actual wages fell short of that sum should be laid as an impost upon the local rates. In addition to this "*allowance system*," which gave room to various abuses, such as the payment of labourers for private individuals out of the public money, *the law of settlement* also, which formed an element in these

regulations, was a source of serious and gratuitous hardship to all parties concerned. By this law, the labouring classes were strictly confined, and in fact virtually imprisoned, within these several parishes to which they were attached by birth, marriage, apprenticeship, or inheritance; they were said to *belong* to those parishes, and had no more option or liberty as to where they should find or seek employment, than so many purchased slaves, so that it sometimes happened that in one parish there was a redundant supply of unemployed labour, while in the next employers were at a loss for hands. Under this allowance-system, the sum raised for poor rates became so large that, during the last years of the law's existence, the amount averaged between seven and eight millions a year.

The general impatience of the public under this heavy taxation resulted in an inquiry by a Government Commission, whose suggestions were adopted in the Poor Law Amendment Act, passed in 1834, (4 and 5 William IV.) by which the present system of union workhouses, boards of guardians, commissioners, inspectors, &c., was established. The consequence of the change was, that the taxation fell to nearly one-half; and that, when men were set free to seek and take employment wherever they could find it, the class of able-bodied paupers—a class which may be regarded as an artificial distortion of the normal type of the Anglo-Saxon race—disappeared immediately and

altogether. Poor Laws, under any shape and modification, are in general very unfavourably regarded by political economists. Pauperism is, on the whole, considered by them to be the one disfiguring feature of the social edifice; the one jarring element in the harmony of the system which they desire to have organised. Poor Laws must, however, be admitted by all to be, though an evil, a necessary evil; an expedient for the application of some remedy to the consequences of the radical and inseparable imperfections of human nature. If all human beings entered into life perfectly unblemished in mind and body; if society were so happily constituted, that every man could realize a sufficiency for his labour, and use that sufficiency with prudence and judgment; and if there were no cruelty or dishonesty in the dealings of men with men; there would be no necessity for any such institution as a Poor Law. But, in the present state of things, it is necessary to recognize the principle, that, in a Christian community, it would be sinful and inhuman to suffer any human being to perish for want of a small portion of that abundance which nature and Providence so liberally bestow. The objections usually urged against the system are; that, as an additional supply of the necessaries of life never fails to create and to be absorbed by a corresponding demand, any provision, in the shape of a regular and permanent relief to pauperism, must inevitably call into

existence a class of paupers to consume that provision; and that matters are eventually brought back to the same condition as before, with the difference of the imposition of a heavy tax upon the money-making public—a tax which might, otherwise, be either altogether remitted and applied to the extension of trade or to the personal enjoyments of the tax-payers, or employed by government upon some of the useful objects of national defence, encouragement of learning, or patronage of genius: that it takes away a portion of the profits and wages of the careful and industrious, in order to bestow it upon those who are, in an economic point of view, considerably worse than useless: that the impost falls with a peculiarly oppressive weight upon a very numerous class, who are themselves but little removed from destitution; and who, amid their anxious and incessant struggles to maintain an appearance of independence and respectability, are still further straitened by being compelled to contribute not only to the wants of others, but also to the salaries of highly-paid officials: and—which is perhaps the strongest objection of all and the most easily removed—that, in consequence of the division of the area of the whole kingdom into a number of isolated districts, the incidence of the tax is always heaviest upon those localities which are the least able to support it; the poorest districts having the largest number of paupers to maintain; and hence arises

the phenomenon of an inverted sliding scale, under which people are taxed in the inverse ratio of their means. In answer to this last objection it may be urged, that it would be unjust to impose a tax upon an industrious and prosperous union for the support of another which idleness and improvidence had reduced to pauperism; and yet the very principle upon which the law is founded is the liability of the industry of the whole kingdom to be taxed for the relief of the whole kingdom. Other serious objections have been based on the consideration of the *moral* influences of a Poor Law—*e.g.* that it extinguishes, on the one side, that feeling of sympathy with human suffering which so greatly enhances the consciousness of kind and charitable acts; and, on the other side, the sense of gratitude for assistance received: that, when compulsory and periodical contributions assume the character of an exaction, and when the legalized claim upon the bounty of others takes the aspect of a right which cannot be denied, the hearts of all are apt to become hardened; that the degradation which is naturally felt by every man who receives public relief for his necessities must tend to destroy those feelings of self-respect and self-reliance, without which no man can be a useful member of society; and that, in those instances where that manly and delicate feeling is already dead, the system converts those who would otherwise exert their own energies for their own

support into a band of sturdy applicants, who soon learn to believe that they have as good and as strong a claim upon the public money, as those whose own or whose ancestors' public services have given them a place upon the Pension List; and, that it is a mischievous and fatal impression to be generally disseminated, that indolence and recklessness are not less certain of support than diligence and prudence; because such an impression discourages the latter, and sets a premium on the former.

The consideration of these and all other evils, real or imaginary, in the Poor Law system, has engaged the ingenuity of several eminent political economists in search of some less demoralizing and less expensive plan by which the distress necessarily arising, now and then, in the vicissitudes of life, may be alleviated. They have taken into account that, amid the many and unforeseen changes to which mercantile and industrial interests are exposed, it must too often happen that the most diligent and careful persons will be thrown out of employment; that intervals of ill-health will occur, and that a long life of industry will frequently end in the confirmed imbecility of old age, for which no provision may have been laid up; and that, in such cases, it would be cruel and wrong that the sufferers should be left altogether to chance. The expedient, then, most generally recommended, is a general and universally accessible

system of insurance guaranteed by government security against the fraud and insolvency of private speculation, a system under which all who may have been subscribers to the fund may claim assistance when overtaken by distress, sickness, or old age ; and without any sense of degradation or feeling of dependence whatever, inasmuch as they would be merely drawing upon a fund which they would themselves have contributed to create. Such a plan as this would, it is believed, remedy all the evils, moral and economic, with which the present arrangement is charged : it would create a strong and lofty feeling of self-dependence, would inculcate habits of forethought and judgment, would discourage indolence and apathy, and lighten the heavy burden of taxation. But it is plain that many other and important changes in our political and social system must take place before such a plan could be, in any degree, feasible. Of these the most essential will be the improvement of National Education in its broadest and highest sense ; for men would not avail themselves of such a system of insurance, unless they had been brought by mental enlightenment and moral training, to have a just sense of the value of independence, and to feel the duty of sacrificing some part of present enjoyment for a future good. In this matter, then, as in many others, Education—Mental and Moral Training—must be the clue to guide the Statesman and the

Philanthropist through the mazes of the political labyrinth.

QUESTIONS.

How would you define a Poor Law?

On what principle is a Poor Law founded?

What was the original mode of relieving the poor?

What is the system at present in operation in the Roman Catholic countries of Europe?

Where was a Poor Law (properly so called) first introduced?

What other countries followed the example?

When was the first English Poor Law passed, and why at that time?

How long is it since the act of Elizabeth was passed?

What were the provisions of that act?

When was the next act upon the subject passed?

What was the allowance-system?

When and by whom was that introduced?

What were its apparent advantages and real evils?

What was the law of settlement?

What act on the subject was passed in 1834?

What is the general opinion of political economists on the subject of the Poor Laws?

Why is it impossible to dispense with them?

Has any substitute been suggested?

Would that remove all necessity for a Poor Law?

Can you mention any of the objections advanced against the system?

What resemblance does the incidence of the tax bear to a sliding scale?

What effects would you suppose it likely to produce upon the feelings and sentiments of the community?

What plan has been suggested as an improvement on the present system?

Would such a plan be feasible in the present state of society?

CHAPTER XIV.

EMIGRATION.

Emigration may be described, in technical language, as a transfer of labour and capital from one country to another, or rather—as capital includes labour—a transfer of men with their capital from one country to another. The circumstances by which large numbers of the inhabitants of one country are induced to remove themselves and their capital to another; and the desire of change and spirit of adventure which render a compliance with those circumstances comparatively easy, and sometimes even an agreeable excitement, have been always in active operation among the human race. Even in those ante-historic times, from which no traces of the movements and vicissitudes of pagan nations have found their way to us, this propensity to emigration must have exhibited an activity scarcely paralleled by anything of the kind witnessed in these latter days. If it were not so, the continents of Europe and Africa would not have been inhabited at that early period, in which we find historic records of their cities and nations.

Central Asia was the original birth-place of our species, and thence they must have dispersed themselves by means of which we can now attain no exact knowledge, to several distant parts of the earth. Of all animals, that one which is the best calculated by nature to adapt itself to all the various climates of the globe, is man ; and in a degree next to him, those other species whose presence and assistance are most indispensable to his existence and enjoyment. The fiercest and strongest animals of the tropics, unless accommodated with an artificial temperature, will lose vigour and life in our chilly air : and the native species of the more inclement northern regions, when brought down by a few degrees of latitude, will languish and pine away for want of the icy breezes and cryptogamic plants to which alone nature has adapted them ; while man has the faculty of acclimatizing himself to the atmosphere of any region, and surrounding himself, to some extent, with those accessories of comfort to which he has been accustomed at home ; until his habits and constitution become so altered that, in a few generations, even the colour of his skin will undergo a change proportionate to the degree of sun-light in which he lives.

The earliest emigrations, respecting which history gives us any information, appear to have been either of a warlike or commercial character ; being in every instance either the armed occupa-

tion of a foreign land, or the plantation of a colony. Leaving altogether out of the question the migrations of the Fathers of the Hebrew race, as having been made under exceptional circumstances, and with an exceptional design, we read, in the annals of early times, of numerous hosts of warlike adventurers precipitating themselves upon more civilized and less powerful nations, and either driving them from their homes and lands to become invaders or colonists in their turn, or keeping them on the soil in a state of political degradation. To this class of migrations belong that of the Hyksos into Egypt, where the original populations have remained in subjection under the name of Fellahs: that of the Dorians into Southern Greece, compelling the native races to emigrate and found a new and more polished nation under the genial skies of Ionia, or to remain among and under them as Helots: that of the Tyrrheni into Italy under circumstances which can scarcely be said to be even matter of conjecture: that of the Tartars into China, where they still form the upper stratum of society: the descent of that great avalanche of barbarians which buried beneath its weight the Roman power and Roman civilization in Western Europe: the irruption of Turcomans into the last remaining province and the Eastern capital of the Cæsars: the advance of that other resistless deluge of fanatics who carried the crescent and the sword into Africa and Spain in the 7th

and 8th centuries ; still later, the occupation of Neustria by the Normans, and Italy by the Lombards ; and the successive conquests of England by the Saxons, the Danes, and the Normans. England is, in fact, one of those countries which have been so often and so completely appropriated by invaders, that the original inhabitants may be said to have been altogether exterminated ; and what is now called (from the predominant race) its Anglo-Saxon population is one of those mixed races which ethnologists consider the best material for a powerful and energetic nation. In those early times it happened, unfortunately for the intellectual progress of the species, that nations became degenerate and defenceless in proportion as they became civilized ; but the proficiency now attained, concurrently with refinement, in the military and other sciences, renders it impossible that a more barbarous can ever henceforth prevail against a more highly cultivated people. Of the other class of migrations the earliest, that we know of, as well as the most remarkable for the enlightened and liberal views of their originators, were those of the Phœnicians along the shores of the Mediteranean, and those of the Greeks in Asia, Italy, and Sicily. Those ancient colonies appear to have been founded with a view to the advantage of the colonists especially, who had, in most cases, either left home in order to lighten a temporary pressure of numbers upon space rather than upon the means of

subsistence, or to have, in the spirit of adventure, followed the standard of some daring leader who might be ambitious to transmit his name to posterity as the founder of a city. We find that they general'y enjoyed so much liberty and independence in the matters of self-government, self-defence, and free trade, that many of them,—such as Carthage, Gades, Syracuse, Cyrene, Tarentum, and Smyrna—eventually surpassed their mother-countries in wealth and power. Of colonizing emigration on a large scale the history of the last three and a half centuries presents some remarkable instances, such being very nearly the interval which has elapsed since the discovery of America, which, in consequence of the extinction of its few, aboriginal races, may be said to be at present exclusively inhabited by emigrants from three or four of the nations of Europe. The original condition of these recent European Colonies in America and other newly-discovered lands, is contrasted rather unfavourably by several political economists with that of the Phœnician and Greek settlements of ancient times. It is observed that the modern Europeans, after founding colonies, denied them the natural rights of self-government and self-defence; thus rendering them comparatively useless to themselves, and an expensive and helpless incumbrance in peace and war, without the possibility of adding anything to the actual wealth and strength of the parent states: that

they have retarded the commercial and political progress of their colonies, not only by these restrictions, but also by forcing upon them a reciprocal system of protection (or differential duties), under which they could neither buy from, nor sell to, foreigners except under a disadvantage equivalent to the difference of taxation, nor even compete with the raw produce or manufactures of home. European colonies have also been unfairly treated with regard to the class of emigrants for a long time forced upon them. They were compelled to receive a periodical importation of convicts. This discouraged the enterprise and prevented the emigration of many free and respectable persons ; as it is concisely and forcibly stated by Mr. Senior ; “ She ” (that is, Europe), he says, “ has peopled them with the refuse of her gaols, and governed them by the refuse of her aristocracy.” Of these colonies, however, some of the most important have long since erected themselves into independent states : others are being gradually admitted to a larger allowance of self-control ; and they must eventually come to be regarded as the great vehicles of European intelligence and refinement to distant lands, endowed by nature with all the advantages which constitute the elements of political greatness.

It has been believed and even expressly predicted by many political economists, who published their theories some twenty years ago, that the

tendency to emigration had almost altogether exhausted itself and died out among the human race, and existed only in those restless and romantic spirits to whom the prosaic monotony of a fixed abode and an unvarying occupation would always be intolerable; and a variety of ingenious arguments and emphatic assertions were employed to establish the conviction that, unless some new continent should be discovered, the world could never again witness the spectacle of a large and general emigration. It was stated that, of all commodities, man was the most difficult and expensive to remove; that a difference in price which would cause the removal of any other exchangeable commodity from one hemisphere to another, would be insufficient to remove human labour across the kingdom. It was also represented that the inconveniences of removing labour and capital from one country to another were at least equal to those which attended the removal of them from one employment to another; because there is in both cases an interval of transition during which time and money must be wasted; while in the one case, a man is making himself acquainted with strange customs and laws, and conventionalities, and, in the other case, with the technicalities or manipulations of a new profession. It was thought that the distance to be travelled, and the differences of manners and perhaps language, were of themselves insurmountable obstacles; and, in the present state of

society, where the spirit of romance and the excitement of adventure had almost altogether effervesced, that no ordinary inducement would tempt the generality of men to rend asunder all those ties of affection, and kindred, and nationality, that bound them to the country of their birth, no matter how heavily they might feel themselves oppressed by rents, taxes, prices, and competition. But it was prophesied in the same way, some years ago, that a steam-engine could never be a locomotive on land, without a fulcrum to counteract its weight; and that a steam-ship could never make a sea voyage. It has been found, nevertheless, that the ground is a very good fulcrum for a locomotive engine to lay hold on, and that steamers can ply between England and the Antipodes. The analogy is completed by the fact, that the tide of emigration has been flowing for some years past, and is still flowing, from the shores of the United Kingdom, so strongly, and so incessantly, that it has occurred to some politicians to devise expedients by which it may be checked. This circumstance must give the subject of emigration a prominence and weight in political science to which it has not in any previous era been entitled.

The present movement of so large a portion of the industrious classes to foreign countries appears to have originated in the following causes. The manufacturing capabilities of this country had received a considerable development within a short

time ; a development which, although far short of its possible extent—(for the mineral wealth of the British Islands, available for manufacturing purposes, is still so far from being exhausted, that extensive strata of coal, iron, and other similar materials, are still untouched in places where their existence is scarcely known except to a few scientific persons)—has been, however, far beyond the proportion of its advancement in any past time. The fact that nearly two-thirds of the population were employed in manufactures, and were to be maintained by the produce of agriculture, lent such a value and importance to land, that the possession of it was regarded as an advantage which could scarcely be exaggerated. But the land of the kingdom was comparatively limited in supply ; rents were up to their highest payable amount, and the direct taxation was heavy ; and when persons possessing agricultural skill began to reflect that there was the continent of America, inhabited by Europeans, of whom more than half were of the same race and spoke the same language with themselves, and where the supply of land was practically so unlimited, that a farm in fee simple and for ever might be had for the same price which they should pay at home for one year's tenure of it ; where government was cheap and taxes imperceptible ; the idea naturally became popular of investing their time and money in a country where the possession of an estate, though it might not at first be nearly so

valuable as at home, would still be rising in value, year after year, with every advancement of the new country in population and trade. Then, after a certain number of the most adventurous had found comfortable and sometimes even wealthy homes across the ocean, those same causes that had previously detained many at home—the ties of affection and kindred—began now to operate in the opposite direction, and inclined them to follow. Considerable numbers, who would have otherwise never thought of emigrating, were induced to do so, because friends and relatives whom they longed to meet again, were prospering abroad. These causes were aided in their operation by a panic. When the imaginary protection of British agriculture was removed by the repeal of the Corn Laws, the agriculturists of these countries were taught to believe that they were exposed to a hopeless and ruinous competition with the cultivators of other lands more favoured by climate and more lightly taxed, who could undersell them in their own markets after paying all the expenses of conveyance; and the consequence was, a general anxiety to place themselves on a level, in those particulars, with the producers whose rivalry they feared. The agricultural labourers, also who knew that the labour which was at a discount at home was in demand abroad; that a day's work elsewhere would realize as much as they were in the habit of receiving for a week's work in the old country;

and that a difference in the prices of the necessities of life would add a large relative increase to the absolute advance of wages, became of course universally anxious to swell the current of enterprise, seeking, with the certainty of success, to realize prosperity in a distant land.

Before emigration had yet expanded itself into a system of such magnitude as it has now attained, it was regarded merely as a means of occasionally relieving the pressure of population upon the means of subsistence at home, and in that light had been differently estimated by different economists. It was observed by some that, if it removed only the supernumerary and less efficient portion of the labouring population, it would be, of course, an advantage, but only an advantage of a temporary and illusory character ; because that, as soon as the intended relief began to be felt, the number of the population would soon rise again to the level of the means of subsistence, and the same difficulty be experienced as before. Others, on the contrary, estimating its effects rather with reference to those who emigrate, and who are in all reason the persons principally concerned, than with regard to those who remain, have considered it a resource which, under any possible increase of the population of new countries for an indefinitely long time to come, must continue to be available for improving the condition of all who may be over-matched at home in the earnest competition of a

dense and energetic community. But, as the system assumed a more serious aspect and it was discovered how slight was the effect of all the anticipated obstacles and difficulties which were assumed as likely to prevent its adoption to any appreciable extent, "the magnitude of the immense flotilla," as Dr. Chalmers says, "which would need to be upheld for the business of these annual shipments"—"the ever increasing difficulty of new settlements abroad, after the most accessible and best portions of territory had been occupied,"—the supposition "that the longer the scheme is prosecuted, it is always becoming more impracticable;" and that "every successive year must witness another augmentation both to the cost and to the labour of it,"—when it was discovered that, on the contrary, the longer it continued, it was becoming cheaper, easier, and more extensive, its economic and political consequences began to be more maturely considered.

There are two points in which, at its present extent, it may be conveniently regarded. In the first place, in all old countries, where land is all appropriated, and comparatively limited in extent, any increase in the wealth of the community must be exclusively the result of a development of new industrial powers; while in new countries such increase easily arises from the application of the ordinary industrial powers to land not yet appropriated. An emigrant, therefore,

proceeding to such a country, with the average skill and knowledge which have been accumulating by a long series of improvements at home, has an important advantage in the command of facilities which would have merely kept him on a par with his former neighbours and competitors. Emigration is not necessarily, nor should it be expected to be any actual or direct advantage to the old country, except so far as it may bring a temporary increase of wages and profit to those who remain at home. It is to the new country alone that the accession of labour, skill, and other capital, can be expected to be profitable; and, if the skill and labour so transferred be more valuable than the average of what remains, a loss to the extent of the difference is inflicted upon the old country. This may be called the *direct* effect of emigration. Its *indirect* effect, which can be briefly explained, operates in a diametrically opposite direction. The inhabitants of an old country, England, for instance, are prevented by the limited extent of their land from carrying their numbers and their industry to the limits which they are intrinsically and, *vi propria*, capable of reaching. They could expand their manufactures to any extent to which raw materials could be supplied; but the margin of the sea limits that supply from home. A system of emigration, then, opens up a source of inexhaustible supplies of raw materials raised from the boundless, rent-free, and tax-free plains of America and

Australia ; because the reciprocity of trade between a new and a long-settled country must always be the exchange of raw materials from the new, for manufactures from the old. In this way an extension of agricultural resources is indirectly effected. The immediate consequence of which is, a corresponding extension of those manufactures which seemed to be for a time thrown back, together with an increase in the value of land at home for the production of many articles too perishable to be imported, for the sites of new buildings, &c.; from all which it will be perceived that the direct effect is eventually more than compensated by the indirect.

In the second place, there is a consideration of much importance, but which is seldom taken into account in the discussion of the question of emigration. An instinctive love for a native land ; a regret at parting, which will break out and make itself felt amid all the strong inducements to forsake it, and a latent longing to return, are among the most universal and enduring feelings of human nature : few men are stoical enough to feel themselves cosmopolites ; and under any circumstances of prosperity and success in a foreign land, these sentiments continue to act more or less perceptibly ; and, although whole families and even whole communities may emigrate simultaneously, and thus save the ties of kindred and friendship from a violent separation, their hearts will,

now and then, turn back to think fondly and sadly of their first home. The idea will then naturally arise, that the difficulties from which they have taken flight, and which by flight only they have surmounted, are attributable not to their own changed habits—for emigrants will invariably evince an unusual degree of diligence and energy—not to the natural and inevitable competition amid which they had struggled unsuccessfully at home ; but to the oppression and exactions of the government from whose control they have withdrawn themselves. They will begin to imagine that they have been the victims of a system of cruelty and mismanagement, by which they have been banished from all the scenes and associations so dear to their memories ; and the effect of sentiments like these—which are entertained by emigrants more generally than may be supposed—will be to create a feeling of disaffection and jealousy towards the parent state, among those who may eventually become a powerful and independent nation. It is this consideration which renders the management of a large dependency of colonies one of the most critical and perplexing duties of a government. A colony, when it becomes wealthy, powerful, and civilized, may resemble the wolf which, in the old Roman proverb, the hunter has caught by the ears, and which he cannot possibly either continue to hold or let go with safety. A colony, which has been subjected to the restraint

of infancy after it has attained maturity, will not be likely in the end to feel much gratitude for the tutelage; and, on the other hand, a system of non-intervention with local government would be regarded by many as offering a premium to secession. It must be evident, however, that if a secession do take place, it would be of a more amicable character and attended with less bitterness in the latter case, than in the former; and that the best, wisest, and safest course, as well in politics as in the transactions of private life, is that which is most characterized by disinterestedness and Christian feeling.

QUESTIONS.

Give a technical definition of emigration?

How must emigration have been a system of very ancient origin?

Why does it appear that man was intended to emigrate?

What was the two-fold character of the earliest historic migrations?

Can you mention any instances of warlike migrations in ancient and mediæval times?

What instances can you quote from the early history of England?

Who were the great commercial colonizers of ancient times?

Mention some of the most distinguished of these settlements.

How did the condition of those ancient colonies differ from that of the settlements of modern Europeans?

Why was it believed impossible that emigration could attain the development which it now presents?

What causes have apparently set in motion the present great tide of emigration from these countries?

How might emigration be extended by some of the same causes that would appear at first to discourage it?

What views were entertained by economists of the old system of occasional migration?

Who are the persons to whom emigration is naturally most advantageous?

What are its direct and indirect effects when conducted on a large scale?

How do these act upon each other?

Can you mention any important moral and political effect of emigration?

In what does the great difficulty of colonial government consist?

CHAPTER XV.

MONEY.

It has been already explained why money is the great and universal measure of value and medium of exchange among all civilized nations: other commodities being still used for commercial purposes among some barbarous tribes; as for instance, salt in Abyssinia, cowrie shells on the West Coast of Africa, dried fish in Newfoundland, tobacco in Virginia, and a few other locally abundant articles in other places. These, however, are very partial exceptions, and do not practically invalidate the general rule. Money, subdivided as it is, is the material which most conveniently enables a man to divide the produce of his labour into as many submultiples for the purchase of as many different articles as he needs or pleases. It is necessary, at the same time, to guard against a very general delusion, that money is anything more than a commodity, the whole use of which consists in its convenience as a medium of exchange, as the representative of something which has been given or can be obtained for it. Unless employed in this

way, it possesses no more real and practical value than the stones with which the streets are paved, except so far as the precious metals may furnish a beautiful material for certain manufactures. The most familiar example, perhaps, of the effects of such an error, is afforded by a passage in the history of Spain. The large quantities of gold bullion which the Spaniards found and seized, upon their conquest of Peru, induced them to believe that they had become the possessors of inexhaustible wealth. Ignorant of the uses of wealth, and of the fact that gold is valuable only as a means of stimulating commerce, they passed a law forbidding its exportation, and so prevented its being used in the only way in which the command of it could possibly be an advantage. The consequence was that, while large masses of the precious metal, in bullion and in plate, were accumulated in the possession of many private individuals, these same persons and the community at large were suffering a want of the most common necessities of life. On this occasion, the government of Spain were guilty of an act which, if committed by a single individual, would be justly commiserated as an act of insanity. If an individual possessing a large sum of money in gold coins were to deny himself food, warmth, and shelter, until his sufferings terminated his existence, there would be no hesitation in pronouncing that he had destroyed himself, under the influence of chronic insanity ; and the

fact that such a course has been pursued by a whole nation cannot possibly make it appear more rational.

It has been also, and on the same principle, erroneously supposed that no trade can be profitable to any country, which is not paid for in native manufactures; and, that if it be paid in gold, the transaction must involve a loss equivalent to the value of the metal. This belief implies not only an ignorance of the real use and value of gold, but a forgetfulness of the source from which national wealth is actually derived. A payment in gold is virtually a payment in manufactures; because no gold, except what is received in exchange for the produce of some sort of industry maintained by internal resources, can possibly come into the country, with the exception of what may be captured or exacted as a penalty in war; and even this is probably more laboriously earned, and more extravagantly purchased, than any other item in the revenue. If a foreign country, for instance, with which we have commercial transactions, will continue to deal with us only on the condition of our paying them in gold; then, if their trade be really an advantage to us, it is as fully worth our while to import gold for the purpose of sending it to them, and giving our manufactures in exchange for it, as it would be to send those manufactures directly and immediately to them.

At what time the precious metals first came into use as a circulating medium, we cannot now exactly ascertain, further than that the practice is one of extreme antiquity. The earliest purchase of land on record (GENESIS xxiii. 16.) was made for a sum in silver bullion equal to £48 1s. 8d, of our money; and this was not the first instance of that use of silver; for we are informed by the text that it was at that time a medium of exchange, "*current with the merchant.*" But the use of bullion, which was a great improvement, in point of convenience, on the practice of bartering for cattle which we know to have been the usual medium in the pagan heroic age,—inasmuch as it enabled purchasers to buy in any desired quantities, instead of being compelled to take value for a whole animal or a whole flock—was still encumbered by the inconveniences of the tedious processes of weighing and assaying. To obviate these, gold and silver were eventually coined; that is, circulated in small pieces, each bearing a stamp by which traders were assured of their being genuine and worth the respective amounts for which they passed; and, in order to guard against the frauds which private individuals might be tempted to commit, the coining of money has been everywhere made an exclusive privilege of the government.

We are aware that gold was coined at a very early date among the Persians, for the mention made in history of their sovereigns or *Darics*, as

they were called, from being stamped with the portrait of the Darius (or king) for the time being ; and that sovereigns of the same kind were circulated by the Macedonians, of nearly the same size and value as our own, and known by the name *Philippi*, as having been made first in the reign of Philip II., the father of Alexander the Great. In those ancient gold coins the proportion of alloy (that is, the silver, or more generally copper, by the mixture of which it is necessary to harden pure gold) was much smaller than that which our gold coins and trinkets of the present day contain ; having been then but one-fiftieth, and being at present never less than one-twelfth. The names and values of the several denominations of money among the ancients, independently of being matters irrelevant to the present subject, are so familiar to all who have formed even a superficial acquaintance with antiquities, that it will be only necessary to observe respecting ancient coinage, that the relative values of gold, silver, and copper, were different in some slight degree from the proportion recognized at present. Among the Greeks, Romans, and Jews of ancient times, the value of gold was to that of silver as ten to one ; and that of silver to copper as one hundred to one ; but, at present, the proportion between gold and silver is as sixteen to one, and silver bears to copper the relation of seventy-five to one. It may be also not uninteresting to observe that the relative

value of money to ordinary commodities was, in those times, about one-third, or thirty-three per cent., less than it is now; or very nearly the same as it was in modern Europe before the discovery of America.

The value of money is, like that of all other commodities, subject to fluctuations; as may be ascertained by comparing, for a short time, the daily quotations of prices at the Stock Exchange; but the convenience of trade requires that these variations shall not affect the relative value of coined money and other commodities: and even independently of this conventional uniformity, another cause has operated in keeping down the relative value of coined money, which would otherwise have been gradually increasing during the past few years to such an extent as would have rendered it impossible to adhere to the standard established by law. As the precious metals are liable to the same influences of supply and demand, both as regards themselves and the various commodities for which they are exchanged, which operate upon the values of all other things, it must be evident that the increase in the production of general wealth which has marked the progress of the past half century—an increase to which that of any equal period in the whole course of history bears no parallel—would have caused a corresponding advance in their value, had not the improvements in the art of mining, the discovery of a new and

abundant mines and the use of paper money, all contributed to keep down the demand.

The system of coining may be made most intelligible by a reference to the practice of our own mint. The purity of gold is conventionally estimated by an imaginary standard quantity of twenty-four carats—a carat being a small weight of four grains—the proportion of pure metal contained in any quantity of it being expressed by stating that it is gold of so many carats of the twenty-four; thus, if it contains a sixth part of alloy it is said to be of twenty carats; if it contains one-twelfth—which is the proportion in coins—it is said to be gold of twenty-two carats, and so on. Any individual possessing gold bullion has the privilege of bringing it to the mint, and receiving in exchange for it an equal weight of gold coins, without any deduction; or, in other words, £3 17s. 10½d for every ounce of gold; but for coining silver, the government is allowed to make a deduction, called the *seignorage*, of sixpence for every ounce; so that the intrinsic value of our silver coins is less by a small fraction than the sums which they represent. The mint standard of money, that is, the denomination in which sums of money are legally expressed and might be legally paid, was originally the silver shilling; but, since the year 1816, the pound or sovereign has been, according to law, recognized as the standard, and is the largest gold coin struck in England, although

the issue of double sovereigns is authorized by Act of Parliament; and since that time, any person receiving a payment in money may legally refuse to accept more silver than forty shillings, and insist upon receiving any amount exceeding that sum in gold. It has sometimes happened that coins are invested by the authority of government with a conventional value far beyond that which they would represent as mere metals. Of this arbitrary valuation some remarkable instances are to be found in history, of which it will be sufficient to mention one or two of the most familiar. Of the coined money issued in ancient Rome from the temple of Juno Moneta, the *as*, as it originally circulated in the time of Servius Tullius, was one pound in weight; in the first Punic war, the weight was reduced to two ounces; in the second Punic war, to one ounce; and subsequently, by the Papirian Law, to half-an-ounce; the value through all these changes remaining the same. Again, the Roman *aureus*, of the value of about sixteen shillings, and first coined in the year of Rome 547, contained originally but one-fiftieth of alloy: in the reign of Caracalla it had become so debased by gradual adulterations, that it contained not more than one-half of pure metal; in the time of Alexander Severus, the alloy amounted to two-thirds; and under Gallienus it is described as having been merely gilt copper. A still more familiar instance, though perhaps not more gene-

rally known, is that afforded by our own copper coins in present use, which are issued from the mint at the conventional value of £224 per ton ; which is more than twice the sum which it would represent as mere copper : so that a penny-piece is not intrinsically worth quite so much as one halfpenny.

These details respecting the intrinsic and arbitrary value of coined money have been introduced in order that it might be more easy to understand the economic effects which would result from any considerable debasement of the national currency by a government driven to the necessity of paying off their pecuniary liabilities with a smaller sum of money than would, under ordinary circumstances, be sufficient for the purpose. To comprehend fully the effects of so desperate an expedient on the part of a government, it is necessary to imagine a case in which it should be adopted on a large scale. Let it be supposed, then, that our government, having demands to meet—such as the payment of a large army and fleet in time of war—to the amount of eighty millions, have but forty millions at their command, at a time when the revenue is declining and loans cannot be negotiated ; which is a very extreme case, certainly, but not actually impossible. They might in such circumstances melt down the forty millions of good sovereigns, and after debasing the metal with alloy to one-half, make eighty millions of new sovereigns,

which they might issue for the full value, authorizing their circulation as genuine. It is evident that, in such a case, the general mass of the community would experience no inconvenience as long as all persons agreed to accept the new coins at their legalized value: every man would receive as a pound a coin intrinsically worth but ten shillings, while he was sure that it would be received from him again on the same terms, in the same manner as penny-pieces are now generally circulated, although representing twice their real value: all persons to whom money may have been due at the time of the change would be obliged to receive, in satisfaction of their claims, sums which would be really but the half, in every case, of what they had expected; but so long as they could pay their own debts with half their amount, or purchase with the debased coin the same quantity of other commodities as they would have previously got for the genuine pieces, they would have no reasonable cause of complaint. But this state of acquiescence could not very long continue. In the first place, the slightest panic or feeling of insecurity respecting the eventual solvency of the nation would derange all the pecuniary and mercantile relations of society, and bring down the currency, by a sudden and violent descent, to its actual and intrinsic value. The debased coins would then be refused as a medium of exchange except for the sums they really represented; and

all persons in possession of, or who had received them in payment ; all creditors of the government, and, in fact, all creditors whatever, would find that they had been legally defrauded of fifty per cent. of their just claim : and that all other debtors, as well as the government, had been enabled to pay off their liabilities by a compulsory composition of ten shillings in the pound. Many persons would be ruined, while at the same time many fortunes would have been realized in the interval. All those who possessed or could accumulate old and pure coins, would either receive for them at the mint twice the number of new, or, by keeping them during the interval, would have been receiving one hundred per cent. upon their demands, and paying at a discount of fifty per cent. For instance, a merchant had, previously to the change, contracted to make a payment of ten thousand pounds, in three months, such being the price of commodities which he has purchased for exportation ; he then imports goods to the same amount, which, in consequence of the increase in the prices of imports resulting from the debasement of the currency, he sells, not for ten thousand, but for twenty thousand of the adulterated sovereigns ; with ten thousand of these he can cancel his original obligation, and appropriate the other ten thousand as his own profit.

In the second place, even though no sudden alarm or derangement were to take place, the

pecuniary relations of the community would, after a time, accommodate themselves by degrees to the debased currency ; it would become the standard measure of value in all contracts, which would of course be made under a full consciousness of its intrinsic value ; and the impossibility of exchanging any such coin with foreign nations at its fictitious value would eventually double the denominations of prices, salaries, and wages. When matters had thus settled down in accordance with the new system, a restoration of the coin to its original purity would be as much a legalized fraud as its debasement. Debtors would now suffer the same hardship that creditors had previously experienced, but in an aggravated form ; because, having contracted to pay a certain number of sovereigns of the impure currency, which had fallen during the interval to its real value, they would now be compelled to pay that number of genuine coins in discharge of the obligation ; and would suffer more in proportion, as a man who pays double loses more than one who receives half his demand : the former loses one hundred, the latter fifty per cent.

An adulteration of the currency is not, however, in the present era of the world, the expedient which the government of any civilized or commercial country would be most likely to adopt upon an emergency. The same object could be, and has been, upon one memorable occasion, as effectually and far less perceptibly attained by rendering

paper money inconvertible ; that is, by authorizing a bank to refuse cash in exchange for its own notes—an act which would, under ordinary circumstances, constitute a declaration of bankruptcy. The legislative anomaly by which this violation of a solemn contract was sanctioned, is known by the Bank Restriction Act, and was put in force from 1797 to 1821 in favour of the Bank of England, which was at that time in a state of temporary embarrassment in consequence of the large credits with which it had accommodated the government. This act, in addition to its protection of the Bank of England, which has, since its foundation in 1694, always been a creditor of the government, authorized all other banks to pay its notes instead of cash, and established its notes as a legal tender in payment of any and all demands throughout the kingdom. Paper money is merely a system of promissory notes, such as any individual of sufficient credit and solvency might issue on his own responsibility. Everybody, who has ever read a bank-note, must have perceived that it is merely a promise to pay a certain sum of money to any person presenting it at the office from which it has been issued ; that, so long as that promise is considered safe by the public, the note will pass from hand to hand as a representative of that sum ; and that, as soon as any circumstance occurs to prevent the performance of that promise, the note is of no more value than a piece of blank paper. The

promissory notes of bankers, however, differ from those of private individuals in this particular, that payment of the latter is demanded after the lapse of a certain specified time ; while the former, by virtue of a peculiar privilege conferred by the banker's license, may be presented for payment at any time.

The invention of paper money arose from the loss of time, danger, and inconvenience of transmitting large sums of coined money from place to place ; as well as from the difficulty of being always provided with it in sufficient quantities. By the substitution of a note, a merchant can transmit in a small, light, and portable shape, a large payment from one country or city to another, with the additional advantage, that, even though such a remittance should be lost by the way, the money which is represented would still be safe ; because the simple precaution of retaining a duplicate copy, or a memorandum of its particulars, would render the destruction of the note a matter of no importance. These great conveniences in the use of paper money occasioned the establishment of what is called Banks (so called from the Italian word *banco*, i. e. the bench upon which a money-changer used to sit in the public places of ancient cities) for the purpose of accommodating traders with a secure place of deposit for their money, with paper representatives of cash, and with money in exchange for private notes during

the intervals preceding their maturity. As an instance of the convenience of such a system, it will be sufficient to mention that, at an office in London called the Clearing House, where the several banks send every day whatever notes and securities of other banks they may hold, in order to obtain in exchange for them, either their own notes or cash, it is calculated that the accounts settled every day amount to about eight millions of pounds; and that all these exchanges are effected without employing more actual cash than about two hundred thousand pounds. The question, however, more immediately under consideration is the economic effect of legalizing the circulation of an inconvertible paper money, and investing with the character of actual money what was merely intended to be a convenient, but still only a temporary, representative of it.

In the first place, the bank is of course relieved from the pressure of its liabilities by the public confidence in the government which thus guarantees its eventual solvency; but it cannot, even so, be expected that the paper money will continue altogether undepreciated. The results that naturally follow any such attempt to effect a fictitious increase of the quantity of money in circulation, form a remarkable illustration of the disappointment which must invariably attend upon any legislative interference with the natural and spontaneous course of monetary transactions. When

an inconvertible paper currency is issued in quantities exceeding the actual amount of cash in existence—which the fact of its being declared inconvertible proves to be the case; or—which is virtually the same thing—when a paper currency is issued for home use, because an unusual quantity of metallic currency is required for use in foreign countries, where paper would be comparatively worthless, the necessary consequence must be, that the paper will be gradually declining in value, the longer the restriction continues; because public confidence will be sinking in proportion. The phenomenon usually exhibited will be an apparent increase in the value of gold and silver; or in other words, an advance in prices; because, while the paper is imperceptibly depreciated, the precious metals will appear to rise, though they really remain where they were. At length the depreciation of the paper will become perceptible by reason of the great change in its relation to prices; and, if the restriction be prolonged, will become totally worthless. These consequences have actually followed some memorable derangements of this kind. The paper money issued under the name of *assignats* by the government of the first French Republic became in the course of time as worthless as so much waste paper; in Russia, the paper roubles fell, at one time, to one-fortieth of their nominal value; Austrian notes have been, on several recent occasions, sold at a discount almost

amounting to confiscation ; and, even in England, where the national credit was good during the most perilous times, bank notes were frequently sold, during the Restriction Act, for three-fourths of their nominal amount. The ultimate effect upon debtors and creditors, after the removal of the restriction, would be the same as that of a debasement of the metallic currency ; liabilities contracted under a system of depreciated currency would subsequently be payable in currency of the full value ; and creditors would of course receive payments exceeding the real amount of their claims by as much as a pound in gold would be more valuable than an inconvertible paper note. In the worst and most extreme case, the holders of debased coin would be in a better position than the holders of such paper ; because, in any event, a quarter of an ounce of mixed gold and copper is a more valuable commodity than a small piece of soiled paper.

As all the money transactions of government are conducted through the medium of a bank (in our own case, the Bank of England) it may be interesting to give some information respecting these institutions.

It has been observed that in the early stages of the commerce of all modern nations, the first money-changers or bankers were Jews, whose judgment and industry in mercantile affairs, and, still more, whose facility of correspondence between

different nations, resulting from their being scattered everywhere, seemed to mark them out as the most convenient medium of intercourse. The business of banking and money changing (*i.e.* discounting) appears to have become rather general in England in the time of Charles I., and to have been first undertaken and for a long time monopolized by tradesmen following the business of goldsmiths and jewellers—trades which, together with banking, still constitute the favourite occupations of the Jews in all countries.

The oldest national Bank in Europe was that of Venice, established in 1171: this was followed by the opening of the Bank of Amsterdam, in 1609; the next was the Bank of Hamburg, established in 1619. The Bank of England was opened and chartered in the reign of William and Mary, its first transaction being the loan of its subscribers' capital (of £1,200,000) to the government. Ever since then it has continued to be exclusively the Bank of Government, receiving as deposits all the public money raised by taxation, and paying all drafts made upon it for the public service. It has been also lending money to the government, or, in other words, allowing the government, to overdraw its account: and that to such an extent that it is at present a creditor to the amount of nearly fourteen millions. It also manages the business of the National Debt, for which it is allowed a percentage amounting to about ninety thousand

pounds per annum. In consideration of these services, it is invested with certain privileges confirmed by a charter which has been frequently renewed; on the last occasion for a term of ten years, which will expire in 1855. The persons who have lent or who represent those who have lent money to the government are said to be fundholders, or holders of stock; stock being the general name given to the capital of a company consisting of several persons. These persons receive no document in acknowledgment of their claim, and merely have their names entered in a book kept for that purpose in the bank: and, as it is of course universally known, these names are being constantly changed and replaced in the course of what is called buying and selling stock, which is undergoing perpetual fluctuations of value. These fluctuations are caused by the varying relations of supply and demand acting upon the market value of money; or, which is equivalent, by the probability, for the time, that the government is able to pay back some portion of its debt; or, is in want of an additional loan. Whenever the former event appears probable, the price of stock rises; because the security of government is more reliable and induces more persons to become its creditors: when the latter probability is the stronger, more persons will be anxious to sell their claims upon the government for less than their nominal amount; and the price

of stock falls accordingly. When the price rises so far that a given amount of stock will sell for precisely what it is stated to be; *i. e.* when a person, on paying £100, gets credit for £100 of stock, prices are said to be *at par*; but this is very seldom the case; and the general state of the market is such that £100 of stock can be bought for £97 or £98: the purchaser becoming entitled to receive interest for £100.

It has sometimes happened, on occasions of unusual prosperity, that the government has been enabled to reduce the interest upon stocks; by stating their intention of effecting new loans at a lower rate of interest in order to pay off the old, unless their existing creditors consented to receive a lower interest; and in this way the interest has been reduced, within the memory of many persons now living, from five to three-and-a-quarter per cent., which is a large saving to the government. On the other hand, it has also happened that £100 of stock has been purchasable for little more than half that sum; which of course eventually involved a large profit to buyers and a considerable loss, in the way of interest, to the government.

From this explanation it will be perceived that it is the interest of persons anxious to buy to effect a fall in the price of stocks by spreading reports injurious to the credit of the government; such as the unfavourable issue of a campaign, the disaffection of a colony, or the breaking out of a war; and, on

the contrary, that persons anxious to sell will find it profitable to disseminate some belief of the opposite tendency. And dishonest as is this species of gambling, or *stock-jobbing* as it is technically called, it is to be feared that the practice is too general.

QUESTIONS.

What are the superior conveniences of money as a medium of exchange?

Is it the universal medium?

What is the real and practical value of the precious metals?

Can you mention any remarkable instance of an error respecting their proper use?

Illustrate the effect of such an error by reference to a private individual.

What are the benefits or disadvantages of being obliged to pay for imports in gold?

What is the earliest recorded instance of a purchase of land with bullion?

What were the inconveniences of bullion as a medium of exchange?

What ancient nations coined gold at an early period of history?

What was the difference in purity between their gold coins and ours?

What were the relative values of gold, silver, and copper, among the ancients?

What are they at present?

What was the relative value of money to other commodities among the civilized ancients?

What causes have kept down the relative value of gold during the past few years?

By what formula is the purity of gold stated?

What do you mean by the term *seignorage*?

What has been the mint standard of money at different times?

Can you quote any instance of a fictitious value set upon coined money, and generally recognized in circulation?

Do you know of any such instance at present?

What would be the probable consequences of a general debasement of the currency?

What would be the eventual effect upon debtors and creditors?

How would a reversal of the system operate?

Whether would debtors, in the one case, or creditors, in the other, lose more.

What other expedient would have the same effect as an adulteration of the metallic currency?

When was that expedient adopted in England?

What is a bank note?

How does it differ from the promissory note of a private individual?

What are the conveniences of the use of paper money?

What are the ordinary uses of banks?

What is the origin of the name?

Mention a remarkable illustration of the convenience of paper securities.

What would be the consequence of rendering bank notes inconvertible?

Do you know any instances of the depreciation of such paper?

In the event of a national insolvency whether would these notes or adulterated sovereigns be more valuable?

Where are the money transactions of our government conducted?

What were the earliest banks established in Europe?

When and how was the Bank of England established?

What is government stock?

What circumstances cause fluctuations in the market value of stock?

When are the prices of stock said to be at *par*?

How has the interest on government stock been reduced?

What do you mean by *stock-jobbing*?

CHAPTER XVI.

THE NATIONAL DEBT.

The national debt is at present the largest money transaction in the world, and one which very materially affects the extent and profits of all the commercial and industrial operations of the kingdom. The amount of taxation levied upon all our sources of revenue being estimated, on an average of years, at about fifty millions annually, it may be taken for granted that at least half that sum is absorbed in the payment of the interest of this immense debt, which may be stated in round numbers to amount to eight hundred millions of pounds. This debt has been gradually accumulating since the Revolution of 1688, principally in order to meet the expenses of wars, which the ordinary revenue arising from taxation was insufficient to defray; but the principal portion of it (about five hundred millions) was incurred during the long wars which followed the French Revolution, and which lasted through the concluding years of the last, and the early portion of the present, century.

It is generally understood to comprise two denominations—the *Funded* and the *Unfunded* Debt. Of these, the former consists of various species of stock, distinguished by the rates of interest which they respectively bear; such as the 3 per cent. Consolidated Annuities, (commonly called *Consols*), the 3 per cent. Reduced, and $3\frac{1}{4}$ per cent. Annuities.

Of all these, the first-mentioned is the most popular investment. The ordinary process of borrowing on the part of the government is this. As soon as the Chancellor of the Exchequer obtains the consent of Parliament to negotiate a new loan, he gives public notice of his intention, and invites all persons who may be disposed to lend money on the security of government, (*i. e.*, to purchase stock) to send in proposals, stating the terms on which they may be content to do so. These terms will, of course, vary with the state of the money market. The sum to be borrowed is divided into sums of £100 each; each lender is expected to state what sum he will invest in order to get credit for each £100 of stock; and the parties who offer the largest percentage are of course declared “contractors for the loan.” Under ordinary circumstances it happens that for about every £80 lent, £100 is added to the debt, and interest paid accordingly; but on unusual emergencies, such as occurred at some periods of the Peninsular War, money was sometimes so scarce, that contractors paid not quite £60 in the name of every £100 for

which government gave them credit and paid them interest. It will be perceived that, under this system, the rate of interest is considerably higher than that nominally paid. If, under the name of a 3 per cent. interest, £75 can purchase a £100 of stock, the rate of interest is really 4 per cent.; and at the same rate of borrowing, if the government incurs a debt of ten millions, while it receives but seven-and-a-half millions, it is clear that a mortgage is effected upon the property of the country for a sum which has not been received, and a large annual sum is expended in paying the interest of a loan, of which a considerable portion is merely nominal. It has been calculated by Mr. Porter in his elaborate work on "*The Progress of the Nation*," that this system of borrowing has increased the sum actually lent by about eighty-three and a quarter millions, an increase which would probably never have taken place but for the fact of its being understood that the government does not undertake to pay back the loans, but merely to pay interest upon them, and that the lenders can recover their principle only by selling to other private individuals the right of receiving the interest to which they are entitled; and this right will not of course be purchased by others at a higher rate than that at which government stock may happen to be selling at the time. It may be said, in fact, that money so lent is invested for ever in the funds; and that, for the apparent

relief of the present generation, who would otherwise be taxed to the amount of the loan, a debt is incurred of which the payment is transmitted to some indefinitely distant time.

The *Unfunded Debt*, which forms but a very small portion of the whole—generally not more than about twenty millions—consists of promissory notes issued by the Chancellor of the Exchequer and known as Exchequer Bills. . These generally circulate in the same way as bank notes of large amount, and bear interest, which is paid periodically. They are sometimes taken up (that is, paid) after a certain time ; but more generally added to the funded debt, after circulating for a limited period. These may be regarded as forming a system more exclusively of credit, because there is no actual borrowing ; and the government merely puts a certain quantity of paper money into circulation, which it can render inconvertible at its pleasure, by simply undertaking to pay interest. The general inducement to invest money in the funds is not the rate of interest, which is lower than what may be realized by investing capital in many other speculations, but the security of the investment : the certainty that, while the National Debt stands good, that small and steady rate of interest will be paid to the day ; and—which is a strong recommendation to many, and an indispensable condition with some who are mentally and physically unsuited to the rude

collisions of active life—the fact, that a certain and fixed income is provided, without risk and without personal trouble. This freedom from anxiety of any sort is a convenience which many persons will purchase by a sacrifice of the high percentage which their capital would earn in many other directions; and the circumstance that this sort of security has the power, at any time, of raising loans to an amount which no other can command, may teach us, as we pass, the great moral lesson, that a man upon whose promises and engagements implicit reliance can be placed, can always command the assistance and co-operation of others at a cheaper rate than his less punctual and less conscientious neighbours. The question of the economic effects of the National Debt upon the industry of the kingdom is one which has naturally engaged much of the attention of political economists, and various expedients have been suggested for relieving it of so heavy a pressure of taxation. Of these theories it seems necessary to give an outline of the most remarkable. In the first place, it is evident that, if there had been no National Debt, many branches of industry which are now heavily taxed would be altogether free from that impediment, and, as a natural consequence, that many enjoyments—including some of an elevating tendency, such as cheaper houses, books, and newspapers—which are now beyond the reach of the humbler classes of

society, would be placed at their command ; and that too in a greater degree than the difference between taxed and untaxed production would seem to imply ; because, it may be presumed that the capital now invested in the funds would then be free for application to the extension of trade and the further developement of the industrial resources of the country ; whereby prices would in general be reduced and many of the unfavourable moral influences of taxation be averted. The state of the question is not materially altered by the consideration that the money absorbed by taxation is not destroyed but merely transferred, in order to be expended by a different class from that which would in the first instance be its distributors. The objection to indirect taxation still holds good : that its incidence is partial ; that it falls most heavily upon that portion of the community who are least able to bear it, and transfers money from those who want it more to those who want it less. It may be said, however, that this enormous debt has been unavoidably accumulated ; that the security and permanence of the kingdom and its political institutions required such an expenditure ; and that such a mode of meeting the pecuniary exigencies of the government was, under the immediate circumstances, that which was most calculated as well to enlighten, as to disguise the burden. All these several assertions have been repeatedly refuted, or at least contradicted. The

first question, that of the necessity of the expenditure, being a matter for the consideration of the historian, rather than of the political economist, would involve a discussion that would be out of place in these pages. It may, however, be observed that, although the immediate object for which the debt was contracted was the protection and maintenance of foreign monarchies, it is evident that self-defence must be considered to have been, however indirectly, the principal motive. The consideration of the other proposition, that the system upon which it was contracted was the most expedient under the circumstances, is intimately connected with the speculations of the science. It needs no demonstration to prove that a man who borrows a sum of money—by effecting, for instance, a mortgage upon his estate—and, instead of repaying the loan, pays interest upon it for a series of years, will, in the course of time, have really paid back the sum which he has borrowed, without having diminished by a single pound his liability to pay it all over again. A man who borrows one thousand pounds and pays five per cent interest, will at the end of twenty years, have paid the whole debt in annual instalments, notwithstanding which his creditors have still a claim upon him for the entire sum. If we apply this principle to the National Debt, we shall find that it has been paid over and over again, and still remains to be paid, perhaps several times over again. This is, of

course, a heavy and gratuitous expenditure of the produce of national industry, if it can be or could have been avoided. That it could have been avoided by a bold and simple expedient is the opinion of some eminent political economists; not merely by refusing to engage unnecessarily in the internal disputes of foreign nations; but simply by raising the amount of money required in every year, by the taxation of that year. It may be supposed that the pressure of taxation sufficient to raise the larger sums which were frequently required in one year during the Peninsular war, would become intolerable, and that a revolution at home might have effected in a few days what our government were endeavouring, by a vast expenditure of money and human life, to prevent by suppressing revolutions abroad. On the contrary, it is maintained that the pressure of the impost upon the tax-payers of the country would not have been heavier than was the pressure of the loan. The argument in support of this position is the following. The amount of money capital lent to the government in any one year, was obviously withdrawn from some departments of productive industry; because persons who invested money in government stock would otherwise have invested it in some other security which would have paid them interest. Let it be supposed, for instance, that twenty millions are thus lent to government by the various capitalists of the king-

dom ; then, those twenty millions are withdrawn from agriculture, manufacturing, and other profitable speculations ; and the necessity of replacing them out of the profits of industry, together with the consequent shortening of supplies, caused by the removal of so much capital, will create such an advance in prices as must impose upon the general mass of consumers an additional expenditure, within that year, equal to the amount of the loan. Now, if the industry of the kingdom were taxed to the extent of those twenty millions, the deficiency of money resulting from that taxation, or, in other words—supposing the taxation to be indirect—the addition which that taxation would have made to prices, would be exactly equivalent to the advance in prices which resulted from the loan. It is clearly the same thing to the purchaser, whether he goes into a cheap market with a little money, or with a full purse into a market proportionally dear. The annual loss, then, being the same, whether it takes the shape of high prices, or, of reduced incomes, it follows, that no advantage in the way of public convenience is attainable by the system of loans ; while the differences in other respects are most important and decisive in favour of taxation. In either case, it has been shown that the sum withdrawn will have been replaced by the ordinary operations of industry ; but, under the system of borrowing, the sum which has been withdrawn will have to be exacted again and again

in the shape of taxation, in order to constitute a fund for the payment of interest, and cannot, after all, be eventually repaid, without a new and additional taxation equal to the whole amount; whereas, if it had been originally raised by taxation, it would have been but once, and once for all, withdrawn from the industry of the country, instead of hanging perpetually, like a mill-stone, round the neck of the nation.

In answer to this argument in favour of the system of raising the year's expenditure within the year, it may be advanced, that every expenditure but that of paying interest might have been avoided by issuing Exchequer Bills to the required amount; and that the adoption of this expedient would have obviated the necessity of withdrawing any capital from the industrial transactions of the kingdom, and would, on the contrary, have sent so much additional paper money into circulation. This suggestion again is met by observing that an issue of Exchequer Bills to so large an amount—supposing, for the sake of argument, that they would not become depreciated—would have placed so much additional money in competition with the existing resources of the community, and would have thus increased the demand for commodities to that precise extent, which would have raised prices as effectually, and withdrawn as much money from the community, as if a loan or tax had been instituted. It appears, therefore, that in

any case of the three, the same amount of money will have been contributed to the government, *within the year*, and that a heavy and undisguised taxation is the only system under which the community, after having once paid the money, would be freed from the manifold expenditure of paying it over again in interest and principal. It must be remembered that the system of Exchequer Bills is merely an expedient for borrowing under a disguise. It is, virtually and for all practical purposes, a loan effected without the formality of asking it as such. When such representatives of money are issued, it is clear that the parties who take them into circulation give some value for them; and that, in doing so, they lend money to the amount of that value. Whenever the bills are taken up and "retired" (as it is technically expressed) from circulation, that loan is repaid; and if they are funded, the amount which they represent, or, in other words, the value which has been given for them is permanently lent by the last holders of them, to the government. This fact is not perhaps, at the time, very generally detected, because the loan is made in value and not in actual money; and because the bills circulate as money for a time from hand to hand; but a loan is nevertheless as virtually made as it would be by one man who advanced money to another on the security of his promissory note. If a merchant were to subtract a certain sum from the capital with which he

conducts his business, and invest that sum in the funds, he would of course feel that he was lending money ; but, if the same merchant happened to be a contractor for supplying the commissariat with provisions in time of war, and to receive Exchequer Bills to the same amount in payment for his merchandize, he would probably not perceive, while he was receiving interest upon them, that he was, for the time, accommodating the government with a loan equal in amount to the prices of those supplies. No man, for instance, would doubt that a banker who issued notes to an amount exceeding his present means of taking them up, would be trading upon his credit, and virtually borrowing money by indirectly receiving a loan from every individual who took any of those notes into circulation ; and yet such is precisely the expedient to which a Chancellor of the Exchequer resorts when he issues bills.

It is true that the incidence of a loan is less perceptible, for the time, than the pressure of a tax ; because it withdraws no money, or, rather, because it is not felt that it withdraws money, from those intermediate and poorer classes of the community who could not voluntarily contribute anything toward the expenses of the state ; the money is withdrawn from those only who have no immediate need of it for supplying the ordinary wants and enjoyments of life, and who would have placed it at interest in some other direction. Such at least

is the appearance which the transaction presents to the generality of society. While their money remains in their possession to regulate their expenditure according to their choice, or comes to them in the regular and usual quantities, they never feel that it is every day withdrawn from them in high prices ; but if their incomes are curtailed by direct taxation, they are under the impression that they are contributing largely to the expenses of the state, although prices may range so low as fully to compensate the deficiency. This feeling it is upon which a government always calculates that it is safer to raise money by loans than by any form of taxation ; because the imposition of an additional tax—no matter how indirect, provided only that it be known to be imposed—will be sufficient to furnish an explanation of the advance in prices ; while in the case of a loan, the impression is that the government has borrowed money in order to avoid oppressing the people by taxation : few will think of considering the effect of a transfer of so much capital from one investment to another ; and, although prices may rise excessively—as they frequently did during the Peninsular war, and principally through the operation of government loans—few persons in the community know, or at least few at that time knew, the chief cause of the prevailing dearness of commodities. It was generally attributed to the amount of the unusual supplies required for the support of a large army and fleet ;

and to that cause it may, to some small extent, have been correctly referred; but the consideration of the fact that very large armies and fleets are to be maintained in peace, as well as in war, will deduct from this cause much of the effect with which it is generally credited. The expenses of the war generally were of course the cause; but the drain of money from other channels for the payment of the transport service in all its various departments, for the maintenance of distant communications, and for subsidizing foreign governments, is in all such cases as heavy an item in the expenditure, and as powerful a lever for raising prices, as the support of additional men and horses. The chief reason, indeed, why the wars of civilized nations involve such ruinous expenses, is the fact that their operations are characterized by so much humanity—as much humanity as is possible consistently with the existence of hostilities: the prestige of victory, and its effect upon diplomatic negotiations, are their principal object: they neither plunder the helpless, nor sell their prisoners into slavery. The wars of savages on the contrary are not only self-supporting, but sometimes lucrative enterprises; and it has been said, accordingly, that if war were understood to be, in all cases, self-supporting, its horrors in the eyes of civilized communities would be such that it would be scarcely possible to imagine any degree of national provocation sufficient to excite it.

It is usual to hear it remarked, during some intervals of economic derangement, such as that caused by a protracted war, that prices are high, but that money is abundant: but, when prices are high, it will be gradually found that money is not more abundant relatively to the prices; perhaps even somewhat less abundant, than when prices are low. And further, when prices are high, we shall find, in all cases, that there is a drain somewhere—some exhausting or preventing influence acting upon the normal relations of supply and demand. When it is recollected that the sum required annually for the payment of the interest of the National Debt absorbs more than half the taxation of the kingdom, and that the effects of taxation upon the industry of the country—whatever those effects may be—are aggravated to that extent by the existence of the debt, it must be naturally expected that a variety of expedients for its redemption, all more or less impracticable would be suggested; because, although the payment of the debt might be very possibly and very easily effected without any greater pecuniary inconvenience than the nation has already borne during the progress of its accumulation, and on many other occasions; still the magnitude of the undertaking is such, the funds have become so well-established and so convenient an investment for capital; and the payment of the National Debt has become so proverbial a synonym for every

chimerically extensive project, as to make it morally certain that no administration will ever undertake anything of the sort.

The real principle of the National Debt is this. A certain number of wealthy individuals placed their capital at the disposal of Government for the use of the public service at a time of danger and difficulty, on the understanding that it would not be repaid, or at least that its repayment would be indefinitely distant; but that they would become entitled to certain annuities in the meantime, which they could either dispose of to other parties or transmit to their descendants. The present fund-holders are the representatives of those original contributors; and any arrangement proposed for the redemption of the debt must of course, upon every principle of national honour and honesty, be consistent with the integrity of their rights.

One of the most frequently suggested of the many expedients for the purpose is a gradual reduction of the interest, a continuance of the course pursued during the last twenty-five years, which some economists believe might be carried to such an extent as eventually to annihilate the debt without the actual repayment of any portion. This plan, from which the fund-holders would derive no countervailing benefit beyond what they would derive, in common with the rest of the population, from the general remission of taxes,

must be regarded as little better than a system of confiscation. The capital from which fund-holders draw their incomes would, in effect, gradually disappear, because, in consequence of the descent of the rate of interest so far below the ordinary percentage yielded by capital as to neutralize all advantages of permanence and regularity of income, it would be impossible for them to sell out without a ruinous loss; and the longer they deferred doing so, the greater would be the loss to which they should submit. It is quite true that, during such a process, taxation would be so mitigated that the value of wages, and in fact of all incomes, would be relatively increased to an extent which cannot be even proximately calculated; but concurrently with that natural benefit, a solemn public contract would be violated by the total annihilation of the incomes of one particular class. Another mode which has* been proposed, is one which involves the same general benefit, without interfering in any degree with the vested rights of any section of the community, and provides for the equitable payment of the whole debt, together with a progressive remission of taxation in the space of about eighty years. It proposes that the government should themselves buy up, in the first year of the process, ten millions of stock, which they should of course purchase at par; this should obviously be done by imposing on the whole country an additional taxation to that amount, within

the year: the impost would certainly be heavy, but not more so than the additional taxation which has frequently of late years been laid upon the country for purposes which involved merely an unproductive absorption of so much capital. For instance, the public expenditure, under the name of the *Civil List*, has increased from about sixteen millions, which was its average annual amount during the reign of William IV., to about twenty-six millions, which is the average sum drawn at present for those purposes from the public revenues. The first year of the operation would be by far the most oppressive: in the second year, the amount raised by taxation for the redemption of stock would be ten millions, *minus* the interest of the ten millions which had been redeemed in the first year: in the third year, the ten millions would be diminished by the interest of twenty millions: in the fourth year, it would be less by the interest of thirty millions: and this course would be pursued with constantly increasing facilities and a constantly increasing taxation; so that, before the process would be more than half completed, the taxes remitted to the public would be more than equivalent to the amount raised for the payment of the annual instalment of the debt. The consequence would be, after some years, that such an abundance of capital would be set free for investment in industrial speculations, that in addition to an unprecedented development of the industrial

resources of the country, capital would extend itself abroad among the yet undeveloped resources of the great empire of the colonies. It is true that capital would become less valuable than at present ; for in proportion as it is invested in production beyond what the natural agents can be made to yield, profits must diminish relatively to the amount of the investment ; or, in other words, the supply of capital would exceed the demand, but, at the same time, the enjoyments of the humbler classes of society would be almost incalculably multiplied and extended. As every question of taxation must involve a reference to the National Debt ; as no theory of financial reform can be regarded as very much better than visionary, so long as that debt continues in existence ; and as it cannot be reasonably expected that any practical attempt will be ever made to redeem it ; the only improvement or modification in our system of taxation, from which any relief is to be hoped, must be evidently in the way of commutation. If it be the object of political science "to insure the greatest possible amount of happiness to the greatest possible number of persons," it is clearly the duty of a government so to arrange those imposts which fall with the greatest weight upon the most numerous section of the community, that taxation shall stand exclusively associated with the enjoyments and expenditure of the wealthy, and that there shall not remain even the semblance of

a hardship upon the working classes, by whose industry the riches of the wealthy are created.

There are two opposite and extreme views of taxation. It is believed by one set of economists that taxation might be still considerably extended, with a corresponding addition to the grandeur and power of the state, and without any additional inconvenience to the great mass of the community, provided only its incidence were equitably graduated by a commutation of indirect to direct taxation. Others, on the contrary, argue as if the money raised by taxation were utterly absorbed and withdrawn altogether from circulation as effectually as if it were annually collected and thrown into the sea, instead of being expended in the payment of the industry of those numerous labourers of different sorts, who are employed in supplying the wants of those among whom the money is in the first instance distributed by the government. But taxation is not, in itself, necessarily and intrinsically an evil : it is the abuse of the system that, like the abuse of any other institution acts prejudicially upon the community ; and the abuse of taxation consists altogether in an imperfect adjustment of the burden. In a country where taxation is partially and therefore oppressively distributed, it is possible to see a small section of the community in possession of colossal fortunes, while the rest of the great mass of the population are sunk in indigence and ignorance,

and the numerous vices with which these afflictions are invariably associated. On the other hand, where the incidence of taxation is fairly graduated, it will be observed that, while plenty and all its moral and social benefits are diffused over the lower levels of society, there does not exist that impassable gulf between the two extreme classes, which, in the other case, shuts off the high and the low from mutual acquaintance and mutual sympathy. The moral and physical effects of the existence of a large National Debt can be best estimated by considering what consequences would result from its removal. It would be equivalent, in one word, to the remission of twenty-eight millions of annual taxes to the production and importation of the most ordinary necessities of life—a sum equal to about three-fourths of the whole revenue derived from the Customs and Excise duties. Then, by the liquidation of the debt, all those imposts known as war taxes, which include duties upon several articles of food and general use, such as the duties upon tea, coffee, sugar, dried fruit, wine, timber, paper, bricks, butter, cheese, all which yield severally but comparatively small revenues, but which amount to charges of from two to three hundred per cent. on the intrinsic values of the commodities, might be altogether swept away, and thus, many comforts and conveniences and necessities, now so enhanced in price as to be beyond the reach of millions, might

be universally diffused among them, without the slightest interference, in the way of retrenchment, with the expenditure of the Civil or Pension List.

QUESTIONS.

What are the respective amounts of the National Debt and the annual interest upon it?

What is the amount of the whole revenue raised by taxation?

When did the accumulation of the debt commence?

How much of it was incurred during the Peninsular war?

Into what denominations is the debt generally divided?

What is the Funded Debt?

What do you mean by *Consols*?

What is the form of borrowing money adopted by government?

What effect has this system upon the rate of interest and upon the amount of the debt?

How much has been already added in this way to the debt?

Of what does the Unfunded Debt consist?

Explain the nature of the securities.

What is the principal inducement to invest money in the funds?

What is the general effect of the National Debt upon industry?

How is the creation of such a debt justified?

Why would you consider the expenditure to have been unavoidable?

Can you illustrate the principle of national borrowing by the analogy of a private individual?

How could this manifold expense have been avoided?

Can you prove that taxation to a given amount is not more oppressive than the operation of a loan?

Is there any point of view in which a system of taxation appears ultimately preferable to the negotiation of a loan to the same amount?

What would be the effect of issuing Exchequer Bills to the required amount?

How do you prove that money is actually borrowed by issuing Exchequer Bills?

Why is that fact not generally perceived?

Can you illustrate that fact by any instance or analogous case?

Why is the incidence of a loan less perceptible than that of a tax?

Why is it that the prices of commodities have a tendency to rise in time of war?

Why are the wars of civilized nations more expensive than those of savages?

Why is it improbable that the National Debt will ever be paid?

Can you mention any expedients which have been suggested for that purpose?

On what principle would a gradual reduction of the interest be objectionable?

How could it probably be paid off in eighty years?

Why would the commencement of the process be the most difficult?

What effect would this have upon the value of capital?

What is your idea of an equitable system of taxation?

Can you illustrate, by any comparison, the effect of such a system upon the welfare of a nation?

What proportion of the Customs and Excise duties might be remitted in the absence of a National Debt?

CHAPTER XVII.

INSURANCES, ANNUITIES, ETC.

Insurance in general may be defined to be the means of purchasing compensation for contingent losses by the payment of a percentage on their amount. The principle has been advantageously applied to several species of risk to which industrial enterprises are liable; such as the possible destruction of property by fire or shipwreck; but the most important advantage derivable from such a calculation of chances is the power of securing, either by the payment of a certain sum in the first instance, or by an annual percentage, a sum to be realized for the benefit of any specified survivors, after the death of the person effecting the insurance. The great benefit of such an arrangement is, that persons whose incomes are the produce of their own mental or manual labour, and which therefore terminate suddenly with their own lives, can provide that a certain sum which they could not, themselves, have accumulated, shall be paid after their death to those relatives who may be dependent on them for support. By laying aside

a certain yearly sum, persons so situated can free their minds of a certain amount of anxiety ; or, the possessor of an entailed estate can, by a similar small sacrifice, provide for those junior members of his family whom the law of primogeniture excludes from any other species of inheritance. It might be supposed that no calculation of chances could possibly be founded upon the duration of anything so proverbially uncertain as human life ; but it has been ascertained that it is only with respect to the duration of any one human life that such uncertainty exists ; and that if a large number of lives be taken into the calculation, the proportion of that number which may be expected to terminate within a given time can be computed with very considerable accuracy. The average thus attained is called *the expectation of life*. The principle of the calculation and the arrangement founded upon it may be conveniently illustrated by an example. For instance, it has been ascertained that, out of a hundred thousand persons, aged 52, and living in this country—because climate makes some important differences in the average duration of life—about 1500 may be expected to die within a year. In the same way, it has been found, by calculating the average number of deaths which take place among the whole population, at different ages, that a man aged 30 and being in *sound health* at the time of effecting the insurance, may expect to live for about 34 years longer ; a man of 40, for

about 28 years; a man of 50, for about 22 years; and so on. Such calculations furnish a sort of scale for fixing the percentage which a person at any given age must pay, in order to secure a certain sum at his death. If he should die much sooner than the time calculated the parties who grant the insurance upon his life will, of course, lose by the transaction; but they are certain, at the same time, of gaining upon the whole number of their insurances; because, in the first place, as some individuals die sooner than the time calculated, others, on the contrary, live longer than the average number of years, and are a longer time paying their annual percentage; and, in the second place, the insurance companies having the use of all the annual payments, do not of course keep the money lying idle; but invest it in a variety of profitable speculations. Then, let it be supposed that those hundred thousand persons mentioned above were to enter into a combination for the purpose of providing that the families of all those among them who may die within a year, should have £1000 (for each family); it would be necessary that a fund of £1,500,000, should be created: and in order to raise such a capital, each would have to contribute £15. The families of those who died would gain very considerably and the survivors would be gratified to find that though they were losers, the loss was so small: But although the example of the insurance for a single year has been chosen as the most simple

illustration, insurances, when effected at all, are most generally kept up during the whole lives of the insurers ; and in those cases, as the number of years of life is larger on an average in proportion to the youth of the insurer, the earlier the age at which one effects a life insurance, the smaller is the annual percentage (or *premium*) which it will be necessary to pay ; but, in addition to the average duration of life, the average rate of the interest of money also forms an element in the calculation, on the principle that the rate of percentage payable by insurers and the rate of interest produced by money, for the time, should stand in an inverse ratio to each other ; and from these two data the tables are composed by which the terms of life insurance are regulated. Lives are insured either by joint-stock companies who undertake the business for their own profit, or by associations of individuals who combine their resources for the purpose of insuring their own and each other's lives. The former are called *proprietary* companies and divide their profits between the members of the firm : the latter, under the name of *mutual* companies, divide their profits, resulting from the interest on their subscribed fund and from the excess of payments over demands, between the insurers, in periodical instalments, each of which is called a *bonus*. It was on this mutual principle that the insurance of lives was first established, in London, in the year 1706 : it was for a considerable time in

operation before any data were obtained upon which calculations could be safely or accurately founded. The speculation, however, was found to be so profitable, principally in consequence of the interest accruing upon large accumulations of annual payments, that insurances of various other kinds have, during late years, been projected ; and the opportunities thus afforded of guarding against the contingencies of fires and shipwrecks, have been very extensively embraced by the mercantile classes. It may be observed of all these, thst the life-insurance companies are the least liable to suffer by fraudulent claims ; a man wanting to realize a large sum of money upon easy terms may insure his house or his ship for a larger sum than it may be worth, and burn the one or sink the other ; if he can conceal the fact of his having done so intentionally, he will receive the money ; but no man, it is to be supposed, will cut short his own life in order that his representatives may claim the amount of his insurance ; and lest any thing of the kind should ever happen—for men will sometimes in extreme cases sacrifice their lives for the benefit of their families—the insurance companies generally make it a condition that, in case of suicide, they will consider the policy to be forfeited.

The effect of insurance upon industrial enterprise is more extensive than might be supposed. When all men and almost all species of property are helplessly exposed to accidents which may at

any moment convert a state of affluence and prosperity into a state of ruin and destitution, many persons would refrain from commercial speculations, which, although profitable on the average, are sometimes ruinous to individuals, had there not existed the means of attaining security, together with the fullest freedom for enterprise and speculation. In the case of fire and shipwreck, the same calculation of chances that regulates the terms of life-insurance has been made to cover the average destruction of property, and realize a profit to the managers. If it has been ascertained, for instance, that, out of every thousand houses, one is annually destroyed by fire, then the proprietors of any two thousand houses, by associating themselves together, and subscribing each the two-thousandth part of the value of his house, together with a sum sufficient to cover the expenses of his portion of the management—supposing all the houses to be the same, or nearly of the same value—will create a fund, from which the proprietor of the burned house will receive compensation ; and by continuing that annual payment, will be able, at a trifling sacrifice, to relieve themselves and each other from one cause of anxiety. Under the present general extension of the system, there are scarcely any chances in the ordinary concerns of life against which security may not be had by some or other of the numerous forms which it has assumed.

Although the inducement generally acting upon insurers is the chance of obtaining a large return for a small and comparatively unfelt outlay, it is evident that, in order to render the speculation sufficiently profitable, on the whole, to compensate adequately for the time and trouble of the managers, the collective body of insurers must pay a larger sum, within a given period, than the aggregate of the chances is worth. It has been calculated, for example, that in the case of fire-insurance, the sum paid for any single policy, including the stamp-duty exacted by government, is nearly five hundred per cent. more than the value of the actual insurance. On the supposition that the two-thousandth part of house property is, on an average, annually destroyed by fire, the value of a policy of £100 is one shilling annually; whereas the actual sum paid is, on an average, four and sixpence annually; of which three shillings go for the payment of duty, and sixpence may be supposed to be added to the fund for compensating the management. It appears, therefore, that although the system of insurance is a very recent institution, the principle is very ancient and universally recognized, being, in fact, that of a lottery. If, for instance, the sum of the prices of the tickets in any ordinary lottery were no more than equal to the sum of the value of the prizes, it is evident that lotteries could not be the profitable speculations which they are known generally to be. It is the

same principle also upon which, in those professions which offer a limited number of large incomes for the competition of the ambitious, the chances of failure are overlooked in the contemplation of the attractions of these few prizes. To take another view of the question; it is quite manifest that, if it were possible for a single individual to undertake the whole preliminary labour, the whole duties, and to receive the whole returns, the remuneration would be inadequate: it is also evident that, if one individual were to buy up all the tickets in any lottery, he must inevitably lose; and that the more tickets any one purchases, the less are his chances of being a gainer, at least to any considerable amount; and, precisely in the same way, if one individual were to hold all the policies of fire or marine insurance in any one office and to pay all the premiums without participating in the profits of the management, it is clear that the general result of the speculation would be a loss.

As a proof of the recognition of this principle in very ancient times, it may be worth while to relate an anecdote of ancient Rome. It was suggested at one time, as the easiest mode of constructing a large dome in the manner of an arch, that a mound of earth should be collected on the site and built over when formed into the requisite shape; but it was objected that the expense of subsequently removing the mound, at the ordinary

price of labour, would be such as to neutralise the value of the building. In order to obviate this difficulty, it was then proposed that a number of gold and silver coins, of considerably less aggregate value than the ordinary price of the labour, should be dispersed here and there through the clay, and that the people should be allowed to remove it. It was calculated that under the circumstances of the inducement offered by the chances of finding the money, the whole mound would be removed at a less expense than the regular wages of labourers.

The principle may be further illustrated by the fact, that mercantile houses owning a considerable number of ships do not generally consider it desirable to insure them; they act upon the theory that a large number of vessels insure each other; or, to state it more intelligibly—that the advantage to be derived from the compensation of an occasional accident, would be more than neutralised by the expense of paying the several premiums. There are, on the other hand, some cases in which the granting policies of insurance, instead of being profitable, may be utterly ruinous; of such a result the greatest danger is incurred when the policies relate to the lives or properties of one particular district: an epidemic disease would speedily reduce a local life-insurance company to insolvency; and the burning of a city, as it has actually happened at Hamburg and New York,

added the ruin of several insurance companies to the general devastation. The possibility of such an event will be less, in proportion as the transactions of a company are more widely extended.

As the phenomena of *interest* and annuities are closely connected with the transactions of insurance, it will be necessary, to the full understanding of the whole question, that the principles of these be familiarly illustrated. *Interest* may be said to be the price of the use of capital; and is of course subject to the same fluctuations which affect all other prices. The existence of interest is caused in the first instance by the necessity that individuals shall be compensated for making their money reproductive and therefore beneficial to the community, and secondly, by the fact, that there is always one class of persons who possess capital, and are not competent or in a position to employ it in a profitable way; corresponding to which there is another class who, although possessing the skill and the opportunity to render capital profitable, do not possess that indispensable agent, capital itself. These classes will naturally become, respectively, lenders and borrowers. When, from any cause, the former of these classes happens to be more numerous than the latter, it will be said that interest is low, and money cheap; when the latter predominates, one will hear, on the contrary, that money is dear and interest high. The causes which regulate the rate of interest derivable from any

given investment may be explained as follows. Profit (that is, the general excess of receipts over expenses) may be regarded as consisting of three elements; or rather, as being subject to three different claims, between which it is in all cases divided—remuneration of risk, of management, and of capital; and between these three, in the natural course of business, a certain balance or proportion must be maintained. If the nature of the investment in question be such that the two former of these claims encroaches unduly upon the third, then of course the rate of interest will be low—so low that the capital will necessarily begin to be diverted to other investments which yield a higher percentage in return for its use. If, on the contrary, there should be such a saving, upon the two former, as to leave more than an equal portion for the remuneration of their capital, that particular investment will begin to attract more capital to itself: and the competition thus created will reduce its remuneration, while the other investments from which it will have been withdrawn, will, in their turn, bid higher for, and begin to yield, a larger percentage. It will of course make no difference whether the capital in question be borrowed, or the original property of the managers of the several investments. In either case its use must be remunerated in order to its being so used; in one case the proprietors will cease to entrust its use to others; in the other, they will themselves

transfer it from an unprofitable to a profitable investment. It is evident that there is operating, in this way, a natural tendency to compensation—a fluctuation, while the amount of capital continues the same, which is perpetually returning to a level, among all investments, and which is never very materially deranged by disturbing causes. With respect to these, also, it may be said that, wherever the rate of interest is irregularly high, there must be a corresponding risk of some sort, or a monopoly. The general rate of interest in this country, calculated upon an average of years—a half century, for example—may be estimated at *four per cent.*; and, at that standard it may be expected to remain so long as the political and commercial relations of England remain practically as at present. The value of annuities is merely a deduction from the data of the rates of interest; for annuities are in reality no more than the interest upon capital permanently invested. This fact being sufficiently considered, it will be evident that they fluctuate in value *inversely* as the rates of interest; a perpetual annuity of a given amount will be worth twice as much in a place where the rate of interest ranges at five per cent. as it would in a place where money would bring a percentage of ten. Let us suppose that a person having an annuity of £100, wishes to sell it for a sum of money; and that such an annuity is worth twenty years' purchase; it would bring him, in the former

place, two thousand, and in the latter but one thousand pounds; because these sums, if invested respectively at the rates of interest prevailing in the two places, would produce, in either case, a percentage precisely equal to the said annuity. As far as annuities are connected with insurance—and the granting annuities is a very important portion of that business—they are most generally annuities terminating with the lives of the several insurers. By investing a certain sum in an insurance, a man may secure an annuity during his life, the amount of which will be determined by the prevailing rate of interest, and the number of years during which, on the average expectation of life, he may be supposed to have yet to live; and such an annuity he may again sell for a certain sum, which will of course be less, in proportion to the number of years passed since he has purchased it.

As land properties are sold upon the same principle as other perpetual annuities, it is self-evident that, in countries where all the land is appropriated, although the rent of land may be high, the prevailing rate of interest will be lower than in a newly-settled country whose resources are still undeveloped by capital: and that the value of land-properties and all other annuities will be proportionally larger, because in the old country it will be more difficult to derive a certain percentage from capital.

QUESTIONS.

What is an Insurance ?

What are the advantages of Life-insurance ?

How is it possible to found any calculations upon the duration of life ?

What do you mean by "*the expectation of life*?"

How has the percentage been fixed, which persons of different ages must pay in order to insure a certain sum ?

Can you illustrate the system by the instance of a Life-insurance for one year ?

What are the two data upon which the rates of premium are determined ?

What proportion does the amount of premium bear to the rate of interest for the time ?

What is the difference between *mutual* and *proprietary* insurance companies ?

What are the effects of insurance upon industrial enterprises ?

What resemblance does the principle of an insurance bear to that of a lottery ?

How do you prove that the sum paid by an insurer is more in all cases than the value of the risk ?

Why, then, do so many persons pay it ?

Whether do you think it safer to buy one ticket in a lottery, or two ?

How does it appear that this principle was familiar to the ancients?

Why would it not be worth the expense to insure a large number of ships belonging to the same proprietor?

Is the business of insurance invariably profitable?

What premium will have to be paid on an insurance of £1,700, by a person twenty-nine years old, at the rates respectively of £2 2s. 8d. per cent. *without profits*, and £2 9s. 0d. *with profits*?

When is it safest?

What is *Interest*?

What causes have rendered it necessary that money should bear interest?

What causes prevent any particular investment from being much more profitable than others?

What is the average rate of interest in this country?

What is an *Annuity*?

What proportion exists between the value of annuities and the prevailing rate of interest?

How is the value of a life-annuity determined?

How is the value of a property in land determined?

How do the relative values of capital and annuities differ in old and new countries?

CHAPTER XVIII.

LEGISLATIVE INTERFERENCE WITH INDUSTRIAL
OPERATIONS.

It would be self-evident, even though it had not been frequently and satisfactorily proved, that the phenomena of industrial operations are regulated by laws as immutable as those which govern the alterations of the seasons, or the growth of animals and plants ; and that any attempts to force them into artificial forms or directions must be as abortive as would be the endeavour to compel an animal to grow into some fancy shape different from that which nature had moulded. The ratio of interest to capital ; the proportion of wages and rent to profit ; and the mutual re-action of supply and demand, are fixed by laws which cannot be wrested from their normal operations, without involving the destruction of that which it is sought to modify. If a manufacturer were compelled to produce commodities in greater abundance than the public were able or willing to purchase and consume ; or, to pay higher wages to his workmen than the profits of his business

would supply—restricted as those profits always are by the competition of other manufacturers—he would soon find himself unable to produce any commodities, or to pay any wages whatever. If, again, he were compelled to pay a higher rate of interest on his borrowed capital, than the invested capital all round him was producing at the time, the capital itself would be speedily absorbed in the payment of the interest. The general rule is, that the amount of capital remaining the same, a rate of wages or of rent higher than the average, cannot be maintained in one direction without producing a compensating reduction in some other; and, on the same principle, that any department of industry in which the exhaustion of a loss has been suffered, has a tendency to indemnify itself by a succeeding interval of unusual profit. For instance, it will be found that, in any of those professions, in which the profits of the higher departments are disproportionately great, the lower walks will invariably be scenes of poverty and distress—the natural law being, that the community affords but a certain remuneration for the services of the whole profession, and the more a few individuals can appropriate of that amount, the less will remain to be divided among the less successful competitors. In the various literary professions, it is a familiar fact that while a limited number are enabled to live in magnificence, the general mass of competitors are less able, in most

instances, to command the ordinary comforts and necessities of life than the average of mechanical operatives ; and so, throughout society in general, the more a few individuals of the higher classes of a nation can appropriate of its wealth, the sum of that wealth remaining the same, the poorer will be the condition of the great body of the population.

Notwithstanding the immutability of these laws, it has been sometimes supposed both by philosophers and still more generally by the industrial classes themselves, that it is not sufficient to leave these conditions and operations to their natural and uncontrolled agency ; and that they may be beneficially influenced by guiding them according to the speculations of theorists, or the partial interests of classes and individuals : in the one case the legislature has been invited to regulate wages, and rents, and profits, by law ; in the other the people have taken the law into their own hands. The belief in the efficacy of such interference has become so general, that labourers have refused to work except for an increased rate of wages ; and on the other hand, masters have sometimes refused to continue their employment of labour except at such a reduction of wages as they would themselves dictate. It is true that the labouring classes suffer many hardships, and that their condition is far from being in general what a philanthropist would desire ; and even that they may be naturally

tempted to contrast their own privations with the affluence of their masters ; but it is also true, that, in a country where the supply of labour is always equal to and sometimes in excess of the demand, it is as impossible that the general rate of wages could be perceptibly improved, as it would be that every individual in the community could have a thousand a year ; that if their employers were reduced or even brought down any considerable way towards their own condition, there would in a short time be no employers at all. Nor, on the other hand, is the delusion on the part of the masters less irrational or mischievous. In fact, “a strike” among labourers, and a “lock out” among employers, are virtually and practically the same thing, and are attended with precisely the same results. On the one side, the labour is idle which would otherwise be added to, or replacing capital ; on the other side, the capital is unemployed which by creating profit, would be added to itself. In either case, the effect must be to reduce future wages, by preventing the accumulation of the fund from which they are to be paid.

In order to demonstrate not only the impossibility of the eventual success, but the self-defeating policy of any such attempt, let it be supposed, that a strike for wages meets with all the success that a compliance with the workmen’s demands can constitute ; and it will be seen that the consequences must be infinitely worse than the greatest

hardship involved in the original and regular state of things. Let it be supposed, then, that the boot-makers of London “strike” against the master-manufacturers; and that the latter, in preference to closing their establishments altogether, consent to pay even such an advance of wages as would almost annihilate the interest of capital, if the price of London-made boots were not raised in proportion. These prices are raised accordingly, but as the public are not bound by any obligation to confine themselves to the use of London-made boots—which is just the condition necessary to the success of a *strike*—they will of course turn to the use of the cheaper commodity made elsewhere. The boot-trade of London declines in consequence: masters are, in the long run, obliged to close their shops—supposing the high rate of wages to be kept up—and the workmen find that the natural result of a compliance with their demand is, either a total cessation of wages, or the necessity of removing to another place and accepting lower wages. But, as workmen, in such a case, might naturally be aware of the effect of competition, they would probably extend their combination and organize a general strike through all places in the kingdom where boots may be extensively manufactured: the consequence of this would be, that all boots manufactured in England would rise in price. But, as the trade is not confined to England any more than to London, purchasers

would then turn to France ; and, unless the natural state of the relations of the trade in England were speedily restored, a portion of other commodities, in proportion to which home-made boots had risen in value, would be exported in order to pay for the foreign manufacture, and the English trade in that particular article be altogether annihilated. The natural and invariable tendency of capital is to flow towards the more profitable investments ; and as, in the case described, the manufacture of boots in a particular place, being laid under an unnatural restriction, would cease to be profitable, capital would of course desert that, and seek employment in other departments of industry.

The master tradesmen, on the other hand, are as dependent on their workmen as the workmen upon them ; in the same way in which a mutual dependence exists between landlords and tenants : or, to define the relation more correctly, there is really no dependence whatever upon either side, further than that existing, in the natural order of things, between every individual and the rest of society ; which means that neither are workmen dependent upon any particular set of masters, nor masters upon any particular set of workmen. Upon this principle it will be perceived that any combination among masters to keep down the rate of wages below their natural level, must be followed by the same consequences as the attempt on the part of the workmen to raise them above that

level : a partial combination for that purpose would, as in the other case, have the effect of transferring capital ; while a general combination—if so suicidal a proceeding can be considered possible—would absorb and annihilate capital altogether. In these illustrations, the operations of the several combinations is supposed, for sake of argument, to be carried out to its utmost possible extent. But, in actual life, and under any known conditions of commerce and civilization, it is abundantly evident that it would be arrested, by inevitable causes, before it had proceeded very far on the way to such a consummation.

In the ordinary nature of things, combinations can never be otherwise than partial and temporary : for they are inconsistent with the instinct of individual acquisitiveness upon which they are ostensibly founded. A combination necessarily implies that there is some risk to be incurred or some sacrifice to be made, and being effected for the real or imaginary benefit of some particular class, it will be maintained unbroken so long as the pressure of that risk or sacrifice lies equally upon all. This, however it cannot long continue to do : the diversities of human character and circumstances must soon begin to exert their influences : all men are not, scarcely any two men are, equally fearless, obstinate, or enthusiastic ; and as soon as any individual yields to the pressure of fear or want, and secedes, the combination is as virtually at an

end, as if he had abandoned it. Its prestige and moral power are destroyed, and it will avail but little that there are still remaining, some more determined, or unselfish, or reckless spirits, who are ready to hold out and suffer to the last. From the moment when any accomplice of a political conspiracy becomes an informer, the combination is broken up; and on the first day when the first workman, shrinking from the privations and anxieties of a strike, ventures to return to his employment, the demand for higher wages is as effectually retracted, as if all the "out" hands returned in a body. In this way it generally happens that the organizers of strikes, fall back after an interval of industrial derangement into their original and normal position, having, in the meantime, suffered much loss and privation through their ignorance of the immutable laws of industrial phenomena; laws, which can no more be violated with impunity than any other part of the great code of Providence.

The effect of legislative restrictions is precisely the same as that of these combinations, though less in intensity in proportion as the restraint is modified. They are equally calculated to turn aside industrial operations from their natural course; because, if they were designed to exert an influence concurrent with that course, they would be superfluous and would never be adopted. Whenever a legislature interferes with such operations in order to make

them proceed in any particular direction or within certain limits, the tendency that invariably manifested itself to evade the restriction proves that it is unnatural. When, for instance, a government prescribes to the merchants of a given country that they shall or shall not trade with those of certain other countries, or that they shall do so only under certain limitations, it confines the application of capital to certain investments which may, or may not be, the most profitable. If those investments are the most profitable, the restriction is superfluous; if they are not, it is injurious. It does, in fact, the same thing as if it commanded a man who has opened a shop, to sell his wares only to a certain class of customers and to refuse the money of all others; which would be regarded as an act of the most intolerable tyranny. It would interfere with one of the first and most necessary conditions of the production of national wealth; which is, that every man shall be free to labour with his head or hand, or to invest his capital in that way which he may consider the most conducive to his own benefit; and such an interference is an implied insult to the judgment of the parties so restrained; because it insinuates that they are not competent to be trusted with the free option of their own industrial enterprises; and it will therefore be, as far and as frequently as possible, evaded.

Notwithstanding all this, the governments of civilized nations are in the habit of imposing restrictions upon the foreign trade of their colonies, and even of their merchants at home; prescribing to them not only with whom they shall deal, but even the particular manner in which they shall manufacture certain commodities. Of these restrictions, the former is the effect of differential taxation; the latter of excise duties; and it is superfluous to remark that both are extensively and systematically evaded. The endeavours made by the several departments of trade to regain the natural course, from which they have been diverted, have originated the dangerous, demoralizing, and, under the circumstances, dishonest trade of smuggling, in all its manifold phases. Every tax may be regarded as being mischievous to the extent to which it is evaded: the duties on beer and malt, for example, are avoided by substituting distilled spirits; those on tea and coffee, by substituting roasted corn and other less harmless representatives; the duties on wine, by the substitution of cider, sloe-juice, logwood, and other deleterious ingredients: the quantity of spurious port wine and hock consumed in London alone is far in excess of that of the genuine wines produced and exported from Oporto and Mecklenburg; and many other commodities in the same way, are so habitually adulterated, in order to evade the restric-

tions, that it is a generally understood fact that they cannot, in the usual course of trade, be obtained in their purity, even for money.

The restrictions imposed by the excise duties upon the manner in which certain commodities are to be produced, have operated in a still more mischievous way upon manufactures; they have, in all instances, checked the natural development of ingenuity and inventions; and it has been found, accordingly, that the removal of that restriction from any particular manufacture—such as those of glass and candles in England, and of leather in France—has been followed, not only by improvements, but by additional enjoyment to the public, and an increase of profit to manufacturers. Improvements must necessarily be alterations, and perhaps the result of many experimental alterations; and these cannot be attempted so long as manufacturers are confined to the one particular process, to which the law, in its anxiety to prevent frauds upon the excise, must limit them.

It is but recently that the evils of restrictions have begun to be clearly understood. It was for a long time believed that a free trade was little better than a sort of gambling between two nations, and ruinous to that one against which the rate of exchanges might range for the time: and, under this impression, the several governments of Europe have, almost to the present hour, been acting on the principle of preventing—as far as

customs' duties can prevent—the importations of all commodities which the several kingdoms do *not* produce, and which they, therefore, respectively want most. Russia, for instance, is exclusively an agricultural country, and wants manufactures, of which her government accordingly prevents the importation ; England, on the contrary, essentially a manufacturing country, has been, until very recently, prohibiting the importation of corn. England, again, does not possess a single vineyard ; and, for that reason, wine is excluded from her ports except on terms which render it proverbially impossible to procure it genuine, and which have made the art of adulterating it a profitable trade. It may be asked then, if the interference of a legislature with industrial operations is either superfluous or ingenious, why have legislatures, whose business it is to promote national prosperity and human happiness, imposed all these restrictions ? for it is to be naturally supposed that their intentions were good. And what is really, if such interference be not, the duty of a government toward the industry of a nation ?

In the first place, the reason why governments, with every laudable intention of assisting the productiveness of labour and the increase of national wealth, have been in reality obstructing both, is simply, that the most effectual means of doing so were for a long time unknown ; and that this ignorance was perpetuated by international

jealousies. The nations were afraid of the increase of wealth and power between themselves and of the competition likely to arise between the productions of their several capabilities, notwithstanding that the diversity of those capabilities was so evidently designed by Providence as an inducement and a necessity for intercourse and mutual dependence. It was believed that the prosperity of any one nation was so much abstracted from that of its neighbours ; as the cultivation of physical science was, with a like narrow prejudice, supposed to be inconsistent with the interests of religion :—and it was only upon the demonstration of actual experience, that the principle began to be recognized, that a particular nation, by freely importing those commodities which it wanted and could not produce at home, was adopting the most effectual mode of promoting the exportations of those products of which it possessed a natural monopoly ; that by importing corn, for instance, we promote the exportation of our manufactures ; and that, if we wanted manufactures, we could have them brought to us only by exporting raw produce to pay for them.

In the second place, the duty of a government towards industry is, merely and exclusively, to protect it from violence and fraud, without interfering in the slightest degree with its most perfect freedom of action. Security is all that industry is capable of receiving from a government : while

the increase of wealth is most infallibly promoted by allowing industry to follow its natural tendencies. "It is not"—to quote the eloquent words of Mr. Macaulay—"by the intermeddling of the state, but by the prudence and energy of the people that England has hitherto been carried forward in civilization; and it is to the same prudence and energy that we now look with comfort and hope. Our rulers will best promote the improvement of the nation, by strictly confining themselves to their own legitimate duties, by leaving capital to find its own lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment, by maintaining peace, by defending property, by diminishing the price of law, and observing strict economy in every department of the state. Let the government do this: the people will assuredly do the rest."

From the knowledge of these facts, we learn the real uses of the science of political economy; the business of that science is to record and draw inferences from the economic experiences of all past time, as the physical sciences deduce their theories from observations of the great phenomena of nature; to teach governments, not what they are to prescribe and constrain, but what they are to leave to itself and to set free from artificial obstructions; not what they are to control, but what they are to obey. It is, in fact, to legislation,

what history is to diplomacy : what chemistry is to manufactures ; teaching what are the natural capabilities and virtues of things ; and, as we cannot alter them to what they cannot be, how we are to profit by them, as they naturally exist.

QUESTIONS.

What would be the consequence of a compulsory derangement of the relation of wages ?

What erroneous belief has been the cause of strikes and other combinations ?

How does it appear that a *strike* and *lock-out* are virtually the same thing ?

What would be the necessary consequence of a *strike* ?

What is the natural tendency of capital ?

What is the natural limit to the amount of wages ?

Why must all combinations necessarily be partial and temporary ?

In what way only can the general rate of wages be expected to rise ?

What do all these facts contribute to prove ?

What inference do you draw from the universal tendency to evade restrictions ?

How do you prove by a logical dilemma that restrictions are impolitic ?

What are the effects of the restrictions imposed by the excise and productive duties ?

Can you give any illustrations ?

How do excise duties prevent the development and improvement of manufactures ?

How do you illustrate the absurdity of protective duties ?

Why have Governments imposed all these restrictions ?

What is the duty of a Government towards Industry ?

What do you infer from this respecting the true use of Political Science ?

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